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The Chinese Policy on Overseas Foreign Direct Investments: Approaches and Limits in Brazil

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The Chinese Policy on Overseas Foreign Direct Investments: Approaches and Limits in Brazil

(A Política do Estado Chinês sobre Investimentos Diretos no Exterior: Abordagens e Limitações no Brasil)

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ABSTRACT

Chinese outward foreign direct investment (OFDI), since the reform and opening up in 1978, has experienced from slow growth to today's vigorous development. Under the leadership of the Communist Party, the increasing development of Chinese economy and outward investment have all strictly followed the path of The Five-Year Plan. Besides of the success that China made on its economy in just 30 years, more scholars have focused on the intentions and motivations of Chinese large scale outward investments. Aiming to know better about China's motivations on OFDI, this dissertation studies and analyzes Chinese investment policies profoundly and comprehensively through a chronological as well as spatial order. Specifically, it demonstrates the development process of Chinese OFDI's general policies by analyzing official sources of documents and legal provisions, and then in spatial dimension it compares Chinese investment policy with that from developed countries. It follows by discussing the Chinese different investment policies in different levels of countries and in different regions. All these analyses will provide an integrated and overall cognition about the perceptions of China in its practice of outward investments. Finally, this work chooses Brazil as a case study, which has been an important new destination of Chinese OFDI but also an emerging power, in which Chinese policies in general have been devoting increasing attention in the last years. By interviewing Chinese companies investing in Brazil for some years, this study investigates whether the motivations that discussed or mentioned previously have been applied in practice in Brazil. The result of all five interviews done with three Chinese state-owned enterprises (SOEs) and two private companies shows us that the diversification of investing sectors, demand for resources and political goals have been weakened little by little, while expanding new markets and profit are still the main drivers. Furthermore, private companies have gained more flexibility and autonomy where their investment scale is relatively smaller than of SOEs, which maintain a close relationship with the Chinese government but are also slower to make market decisions. Other ten companies and institutes that had not reacted to our interviews show us many Chinese are cautious and reluctant to share their thoughts.

Keywords: Chinese policies. Overseas Foreign Direct Investment. Brazil. Case study.

RESUMO

O investimento estrangeiro direto (IED) chinês, desde a abertura e reforma a partir de 1978, teve desde um lento crescimento até a vigorosa expansão dos dias atuais. Sob a liderança do Partido Comunista chinês, o crescente desenvolvimento da economia chinesa e o investimento exterior seguiram rigorosamente o Plano de Cinco-Anos, estabelecido pelo governo chinês. Apesar do sucesso alcançado pela China com o IED em apenas 30 anos, cada vez mais estudiosos estão questionando as intenções e motivações dos grandes investimentos externos feitos pela China. Para entender as verdadeiras motivações do IED chinês, esta dissertação estuda e analisa sua política de maneira profunda em ordem cronológica e apresenta os resultados de forma compreensiva. De maneira especifica, é demonstrado a evolução da política do IED chinês através do processamento de documentos oficiais e fontes legais de informação. Além disso, compara de forma espacial a política de investimento estrangeiro chinês frente a outros países desenvolvidos, e posteriormente, discute as diferentes abordagens com relação a países em níveis diferentes de desenvolvimento e em regiões distintas do globo. A análise geral apresentada provê um conhecimento amplo sobre a visão da China no que se refere a investimento no exterior. Finalmente, o Brasil é escolhido como caso de estudo, pois além de ser um país emergente, é alvo de crescente investimento estrangeiro chinês nos últimos anos. Por meio de entrevistas com empresas chinesas residentes no Brasil já há alguns anos, o estudo empírico valida às motivações discutidas previamente e mostra que as políticas definidas pelo governo chinês são aplicadas devidamente no Brasil. O resultado de todas as cinco entrevistas realizadas com três empresas estatais chinesas (SOEs) e duas empresas privadas nos mostra a diversificação dos setores de investimento, os recursos exigidos e o apelo político foram enfraquecidos de forma gradativa, ao mesmo tempo em que a expansão do novo mercado e a lucratividade ainda são os principais objetivos. Além disso, as empresas privadas possuem maior flexibilidade e autonomia, e a escala de investimento é relativamente menor do que as vistas nas empresas controladas pelo Estado, enquanto essas mantêm uma estreita relação com o governo e são mais lentas para tomar decisões no mercado. As dez empresas e institutos restantes que não conseguimos fazer as entrevistas nos mostram que muitos Chineses são cautelosos e relutantes em compartilhar seus pensamentos e políticas.

Palavras-chave: Políticas chinesas. Investimento Estrangeiro Direto no Exterior. Brasil. Estudo de caso.

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GLOSSARY OF TERMS

FDI	Foreign Direct Investment
CSPC	China State Planning Commission
CEBC	Conselho Empresarial Brasil-China
CCPIT	China Council for the Promotion of International Trade
CITIC	China International Trust and Investment Corporation
COFCO	China National Cereals, Oil and Foodstuffs Corporation
CPC	Communist Party of China
OECD	Organization for Economic Cooperation and Development
CMFA	China Ministry of Foreign Affairs
MOFCOM	China's Ministry of Commerce
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
M&A	Mergers and Acquisitions
MNE	Multi-Nacional Enterprises
NBS	National Bureau of Statistics of China
NDRC	National Development and Reform Commission
NPC	National People's Congress
NCCPC	National Congress of Communist Party of China
OFDI	Outward Foreign Direct Investment
OBOR	One Belt, One Road
PBOC	People's Bank of China
SAFE	China's State Administration of Foreign Exchange
SOE	State Owned Enterprises
R&D	Research and Development
TNCS	Transnational companies

SUMMARY

1 INTRODUCTION

Outward Foreign Direct Investment (OFDI) was an economic activity unique to developed countries in the early 1900s. Because of the relatively weak domestic economic development, OFDI activities from developing countries have always been very limited. Back in the 1980s, more than 90 percent of all worldwide foreign direct investments were from developed countries according to the World Investment Report 2004. However, in the past decade, foreign direct investments from emerging markets and developing countries grew rapidly and became the main new driving force of the world economy (LIANG 2014). Since China appeared in the international investment market after 1978, it has been playing an increasingly important role in this area, as an emerging power today. Recently, with "the Belt and Road"[1] (B&R) initiative putting forward by Chinese president Xi Jinping:

> "More and more Chinese enterprises are going overseas, bearing a common name 'constructor', because what they bring are not only localized projects, advanced technologies and favorable loans, but also the ideas and actions for win-win and multi-win cooperation" (China State Council 2013).

Under this situation, all countries around the world are staring at Chinese future investment projects. Actually, China's emergence and its OFDI during the latest 30 years triggered strong reactions from Western countries, especially from the U.S. Many studies blamed Chinese investments for the harmful treatment of local areas, particularly in Africa; also, Chinese state-owned enterprises (SOEs) and their investments driven by the exploration of natural resources caused many criticisms. In particular, the Belt and Road project was even the subject of some sarcasm as soon as it was put forward: experts in the U.S. argued that China only seeks to take advantage of its FDI to meet the needs of economic development and expand its political influence (GRAMER 2017).

However, is such an assertion correct? What is the nature of Chinese outward FDI? What does China really think when investing abroad? This work aims at

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[1] The Belt and Road initiative consists of "the Silk Road Economic Belt" and "the 21st-Century Maritime Silk Road", which were raised for the first time respectively at Kazakhstan's Nazarbayev University and at Indonesia's Parliament in 2013 by Chinese President Xi Jinping. "The initiative aims to promote orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets by enhancing connectivity of Asian, European and African continents and their adjacent seas" (Song 2016).

reassessing the nature of Chinese OFDI policies, which is to say, whether (and how) China really follows a consistent policy when engaging in foreign direct investments. Specifically, this work mainly focuses on how Chinese OFDI policies have changed through time, from the moment that China opened its doors in an attempt to participate in international economic activities and to invest overseas. We also observe that, differently from other traditional investment state powers, China, as an emerging power, achieved particular characteristics in its OFDI policy; in this sense, the Chinese government seems to customize its plans and policies according to the different regions in which it promotes OFDI, so as to guide and manage the behavior of its national enterprises overseas. What makes more interesting is that the levels of interventions from central government are different between state-owned enterprises (SOEs) and private enterprises, in which SOEs act on behalf of the national interest, while private companies give more considerations to their self-profits.

In order to investigate the extent to which such Chinese foreign investing policies have been applied and what are the real motivations of Chinese investment in specific regions, this research chooses Brazil, as a representative example of a Latin American region, for a case study analysis. By interviewing Chinese companies that have been investing in Brazil for a few years, this research intends to perceive more of the Chinese government's thoughts from the perspective of transnational companies, and to what extent this policy penetrated into the Chinese companies overseas. We argue that through investigating Chinese companies, the intention from Chinese government can be reflected distinctly. As the SOEs and private companies are two kinds of enterprises, they will be separated into two groups to investigate the different influences from the home country.

Brazil, as well as Latin America in general, owns abundant resources and a large potential for market access, so that Chinese OFDI in this region has been developing very quickly in recent years. In fact, Latin American countries have been always attracting Chinese investment actively. Brazil, as the biggest country of Latin America, is a particular object of interest in this problem. Although there is a long distance between two countries, and that they also have different regimes and cultures, in 2010 China already became the largest origin of FDI inflows in Brazil. And in the first half of this year (2017), China also became the biggest destination of Brazilian exports, which is to say, 25% of Brazilian products were sold to China (ÁLVARO 2017). The increasingly important role of China and Chinese OFDI in this region, however, has led to various debates in the academic community. Most studies argue that China is accelerating economic communication with Latin America especially with Brazil in order to take the place of U.S. as a new hegemonic power in the region. Besides, some authors have questioned the benefits of Chinese OFDI in Brazil, arguing that the Brazilian government has been virtually selling the country to China at a cheap price, given that many Chinese SOEs have taken key sectors of the country, such as infrastructure, energy, machine and equipment (BARRUCHO 2017). So a question arises as to what is the motivation of Chinese OFDI in this region: is China mainly driven by political intentions or caring more about its short-term economic interests? Has Chinese OFDI in this region brought more benefit than harm? To obtain a new insight around these questions becomes an important purpose of this study, in which the interviews with Chinese companies in Brazil should provide new elements.

This work is divided in 6 sections. Apart from this introduction, the second section briefly outlines the methodology used in this research. The third section reviews the current theories and studies about the development of Chinese investment policies abroad. The fourth section goes deep into the reasoning of China's policies when promoting investments abroad. In this part, we particularly address the nature of Chinese OFDI policy and its development after the country's so-called opening and reform processes, as well as the rising difference between China's OFDI from other investment powers. Also, it discusses the Chinese OFDI policies in different regions, which will separate into developing countries and developed countries and specifically, the BRICS group. The fifth section covers the empirical part of this work, which looks into Brazil as a specific destination of Chinese OFDI and provides insights on the state of China's investment and which particular policy has been pursued in Brazil on this matter, by means of doing interviews with Chinese investors (both SOEs and private companies), so as to contribute with the existing studies in relation to this topic. The last section presents our concluding remarks.

2 METHODOLOGICAL CONSIDERATIONS

> “The styles of quantitative and qualitative research are very different. Quantitative research uses numbers and statistical methods. It tends to be based on numerical measurements of specific aspects of phenomena; it abstracts from particular instances to seek general description or to test causal hypotheses; it seeks measurements and analyses that are easily replicable by other researchers. Qualitative research, in contrast, covers a wide range of approaches, but by definition, none of these approaches relies on numerical measurements” (KING KEOHANE VERBA 1994).

This study mainly utilizes the qualitative research method to analyze the Chinese governmental policies, and most importantly, the motivations when China invests overseas, while it is less concerned with numbers and dynamic values. Another difference between quantitative and qualitative methods is that qualitative methods tend towards causes-of-effects questions and quantitative tend towards effect-of-causes questions. This is another reason why we chose qualitative methods.

In this context, interviewing became one of the chosen qualitative approaches of this study, especially in our analysis in the final section. Interviews are a method in social science research that can help researchers collect materials and data through the means of communication with interviewees. It is widely used in qualitative and quantitative researches in social science (SUN 2012). According to the interview method, there are two types – direct and indirect interviews, which the former one is face-to-face interview, and the latter is phone or web interview. To reach a better quality of interviewing, this work mainly adopted the direct mode — face-to-face interview, which is also easier to get a better validity.

Qualitative and quantitative studies use different modes. Quantitative studies highly require a certain amount of data, thus their interviews need a standard structure and every time should follow this talking structure. And many times questionnaires are necessary. Different from quantitative studies, qualitative analyses usually use semi-structure mode, or saying in-depth interview. This mode is more purposeful and flexible that no restricts the talking order, interviewer and interviewee can communicate comfortably and effectively deepen key points. Also, this mode no requires the numbers of interviewees, but the quality of the communication. In accordance with the study purpose of this work, we decided to use in-depth interview in order to do a qualitative research trying to understand the situation of Chinese investment in Brazil and achieve a better sense on the effects from the Chinese government on its investors.

Thus, one of the purposes of this research was to collect information from Chinese transnational companies, in an attempt to see their perspective about the policy from Chinese government on FDI. Therefore, the key point is about the depth of the interview, which means the more someone from Chinese company can talk about the effect of policy from government, the better and more valid result we can get from this interview. On the other side, the number of the interviews is not as significant as the profundity of each interview. Just as in the theory:

> “Such work has tended to focus on one or a small number of cases, to use intensive interviews or depth analysis of historical materials, to be discursive in method, and to be concerned with a rounded or comprehensive account of some event or unit. Even though they have a small number of cases, qualitative researchers generally unearth enormous amounts of information from their studies” (KING KEOHANE VERBA 1994).

In terms of the sample, the ideal case for the interviews is to select the samples that can supply the maximum information. For this study, it was difficult to interview all the companies in Brazil, so the plan shifted to choosing one or two big companies in every sector, where these companies should have more experience than others in the same sector. In addition, considering the diversity sampling, we divided these companies into two types: SOEs and private companies, in order to observe if the effect from home country on them is different.

The second important methodological issue was case selection. To analyze Chinese motivations though OFDI, a case study approach proved necessary. Through a specific case, we can observe what Chinese government is thinking and if the motivations discussed in the theories are well founded. Thus, this case that will be selected should be a typical one among others, rather than any random one. Selecting a typical case should follow the principles, which means this case must be a representative sample and useful variation on the dimensions of theoretical interest (SEAWRIGHT GERRING 2008). For this research, Brazil became a typical case for selection. According to the theories discussed along this study, the main points in dispute on the motivations behind the Chinese OFDI are resource-extracting, political appeal, and American hegemony challenging. Based on these issues, we selected Brazil as a typical case under the following reasons:

- Brazil, as the world's fifth-largest country by area, owns vast natural resources and energy. If China’s intention is extracting resources and energy, Brazil would be a representative case.

- China always attaches importance to the relationship with other developing countries; the Chinese government also thinks that developing countries should strengthen communication and cooperation in all areas. Therefore, at the political level, China would tend to build strategic partnerships with them. Particularly, among developing countries, there exists a group — the BRICS countries –, in which are five emerging countries, including China, enjoy similar economic levels and development trends. Brazil is a member of BRICS, and built strategic partnerships with China. Thus, Brazil and China should have close political relations with each other, and in order to know Chinese political appeal, Brazil would be a good sample.
- The hegemony of the U.S. has prevailed in Latin America for a long time. As a leader of Latin America, Brazil has been affected profoundly by that Western power. Therefore, to know about whether the growth of Chinese investments would challenge American order, Brazil would arise as a valid typical case.

In alternative to the typical case justification described above, we could have also adopted another method of case selection under the “most similar cases” and “most different cases” approaches. In the most similar cases method, the cases selected are similar across all background conditions, but the cases differ on one dimension, so that change the outcome. By contrast, in most different cases, they are different across all background conditions, but the cases are the same on one dimension, so that the outcome is the same. However, we consider that neither methods are adequate for the goals of this work, because we consider China a special case among all over the countries. It has some similar background conditions with developing countries, particularly with other emerging countries, but not all background conditions. On the other hand, China is also not totally different from developed countries on background conditions. Therefore, there is no similar or different outcome can be concluded. China, as a largest and advanced developing country, the growth of its OFDI, however, owns special characteristics.

3 LITERATURE REVIEW

This section discusses the traditional investment theories on the Chinese outward investment and the main specific studies on Chinese OFDI. From exhausting this literature, we begin to critically conjecture that, differently from other major investment countries, China has become a distinctive case of OFDI policy with its own characteristics.

3.1 THE RELATIONSHIP BETWEEN CLASSICAL FDI THEORIES AND CHINESE OFDI

Traditionally, FDI had been the activity of developed countries. However, as some developing countries carried out economic reforms and accepted an "open door" policy, these nations had gained big economic growth through liberal attitude to foreign investments. More dramatic has been the fact that there has been a change in the patterns of foreign investment (SORNARAJAH 2010). Among these emerging developing countries, China is a main exporter of capital, with its flows of outward FDI ranked second in the world and exceeded the level of inward FDI in the year 2015 (MOFCOM NBS SAFE 2016).

The traditional FDI theories basically analyze the motivations and determinants from the perspective of the companies. These theories mainly explain the enterprises that have competitive advantages from developed countries own capacity to invest overseas. The main research on the motivations underlying FDI were developed by J. Dunning, S. Hymer or R. Vernon (DENISIA 2010). Hymer (1955) discusses the two motivations of international operations of national firms in his doctoral thesis in 1955. One is that transnational enterprises invest overseas because of imperfect competition from market, which makes some enterprises in a monopolistic position so that they control others to acquire benefit;And the other is that firms want to realize the profit maximization through exploiting their advantages to the full (HYMER 1955).

Moreover, Dunning (1973) demonstrated why companies leave their home country to invest outward in his paper entitled "The Determinants of International Production" published in 1973 (DUNNING 1973). And then he developed his eclectic paradigm of international production in 1976 to offer a holistic framework by which it was possible to identify and evaluate the significance of the factors influencing both the initial act of foreign production by enterprises and the growth of such production (DUNNING 1988). This theory is also called OLI theory, means Ownership, Location, and Internalization. It argues that these three independent variables are basic elements for the enterprises' FDI, which ownership (O) is firms' special advantages that other firms do not have; location (L) means investment environment of host country; and internalization (I) refers to the capacity that offers a framework to help firms maintain their core competencies (DUNNING 2000).

Vernon (1966) developed his Product Life Cycle Stages Theory. This theory, which based on the American FDI, argues that the new product cycle experiences three stages: introduction stage, maturing stage and standardized stage, with the change of comparative advantages (VERNON 1966). As a great economic power of Asia at the end of last century, Japan owns its characteristics in foreign investment. Based on Japanese special case in FDI, the economist Kojima (1973) developed his paradigm of "the principle of FDI originating in the marginal (including sub marginal) industry" in 1973 (KOJIMA 1973), and further elaborated this approach in 1982, in the paper of "Macroeconomic versus International Business Approach to Direct Foreign Investment". In this paper, he explained more clearly about this theory, which argues that "Direct foreign investment should originate in the investing country's comparatively disadvantaged (or marginal) industry (or activity), which is potentially a comparatively advantaged industry in the host country" (KOJIMA 1982). This theory emphasizes the complementary industrial relations between the country of origin and the host country in FDI, and it conforms to the development stages of the structures of Japanese OFDI in 1970s, which transformed from resource-intensive industry to labor-intensive industry and then to heavy chemical industry.

All these classical FDI theories mainly evolved according to the developed countries' FDI experiences. However, in developing countries, due to their different politics, history, economic environment, strategies, policies and enterprise ownership, their OFDI actions have different characteristics from developed countries. This is particularly obvious in Chinese OFDI. China has a lot of SOEs so their investments may not be explained completely by these classical theories, which are based on private companies from developed countries.

In this context, there are a few basic theories about OFDI originated from developing countries, which include "the small-scale technology theory" from Louis J.

Wells 1977, “the technology localization theory” from Lall 1983, “technology innovation and industry upgrade theory” from Cantwell 1989 and Tolentino 1993, “theory of Investment Development Path (IDP)” from Dunning 1986, and “Dynamic Comparative Advantage theory” from Japanese Ozawa 1992. These theories accord with the economic level of developing countries, and comparing with the theories about FDI in developed economies, they focus on the characteristics of developing countries. Generally, they argue that OFDI from developing countries started in neighboring countries and then extend to distant developing countries and finally with the deepening of industrialization go to developed regions. What’s more, they helped developing countries to promote outward investments via their own relative advantages. The developing countries have no conditions to execute large outward investment, but at least they can join in the international actions, and acquire growth during the process that their enterprises can learn more and be positive to innovate technologies (LIANG 2014).

However, the theories about developing countries’ FDI also have limits because among developing countries their regimes, economic levels, cultures and industrial structures differ from each other, although the theories provided new ideas to analyze developing economies’ OFDI. In terms of China, its OFDI mainly located in developed regions all the time. Until 1991, the year after putting forward “going out” policy, China had almost 1000 multinational enterprises, among which 180 were located in Hong Kong and Macau, and 700 in United States, Japan, Germany, Thailand, and United Arab Emirates (HU XIA 2004). Now 26 years passed, up to the year 2015, the top three destinations of Chinese overseas investment are U.S., Australia, and U.K (DOLLAR 2016). And in the 2015 Statistical Bulletin of China’s OFDI, leaving aside the Chinese Hog Kong and Russia, among the top 10 countries (regions) as destinations of China’s OFDI the remaining 8 are all developed economies (MOFCOM, NBS, SAFE 2016). Thus, those theories directing at developing countries again failed to explain this phenomenon. In addition, China has many SOEs, and these companies are so large that they succeeded in many cases of Mergers and Acquisitions (M&A), so they cannot be explained by small-scale technology theory. In fact, this theory is mainly focusing on the small and medium-sized enterprises. Therefore, Chinese OFDI is a special case in the history of world FDI development.

Perhaps the above classical theories failed to explain the Chinese investment because they mainly study the developed countries' FDI in the 20th century and at that era, Chinese investment had still not emerged its power in the international stage. In recent years, especially came into the 21st century, it has appeared many new classical theories studying and discussing contemporary FDI. The report of South-East FDI in 2005 shows that an important feature of FDI in this new era is "its steadily increasing complexity, thanks in part to technological and communication advances, and the reduction in various regulatory and other barriers to cross-country investment and trade" (UNIDO 2005). Specifically on South-East Asian FDI, Mirza (2000) identifies four types: first is large industrial groups in comparatively advanced industrial sectors (South Korea, Singapore, and Malaysia); second is multi-sector in diversified conglomerates from Hong Kong, Malaysia, Singapore and some overseas Chinese conglomerates; third points to small and medium-sized enterprises from Taiwan and South Korea; and forth specially is Chinese SOEs' FDI. The motivations of the first three types mainly are the rising costs of production at home, growing opportunities in the Asia Pacific, cultural-ethnic familiarity and geographical proximity. In terms of China-case, Mirza failed to explain the nature and characteristics of SOEs' overseas investment, only predicting that in the future these SOEs may evolve into one or other of the first two types above (WANG 2002). He also argues that generally Asian firms tend to invest in Asia, and japan as a member of OECD and the most developed country in Asia, its firms' motivations of FDI changed from the need to expand their overseas market to seeking natural resources in 1977, to collecting patents and other information in 1990, and in 1999, to seeking strategic assets and building global networks.

Breslin argues "Interpreting the political significance of investment and trade figures is never easy. If we focus on bilateral relations between two national territories, then we will never be able to come to coherent conclusions, because global production increasingly involves more than two national jurisdictions. But while there are generic methodological issues, China presents a number of distinct complications" (BRESLIN 2007). Breslin also discusses through a great length about the Chinese development on economy and its open-door to the outside, more importantly, he focuses on the influence of Chinese rise on the regional even global order, particularly on the political scenery. He also points out many problems obstacles for China developing healthily. However, in terms of FDI, this book mainly analyzes foreign investment inside China and how Chinese growth and changing policies from government affect the international commercial activities; especially those are associated with China. But very few contents involve the Chinese outward investment, this maybe because China attracted FDI more than invest outward 10 years ago.

3.2 FURTHER THEORETICAL DEVELOPMENTS ON CHINESE OFDI

Still on the question of the rising phenomenon of Chinese OFDI, there has been a variety of arguments gaining ground, all of which discussing the development of Chinese OFDI as an interpretation of its rapid growth, as well as criticizing the existing inadequacy of China's policy for various reasons.

For example, Hong and Sun's study is about dynamics of Chinese OFDI strategies in the different seeking areas (HONG SUN 2006). Wang, Yu and Huang discuss the governmental financial constraints on private enterprises (WANG YU HUANG 2013). Buckley, Cross, Tan et al identify historical and emergent trends in their quantitative analysis through detecting official aggregate data and individual FDI project level data on Chinese OFDI in order to assess whether or not Chinese OFDI conforms to the special case of emerging country OFDI (BUCKLEY 2008). In addition, Morck, Yeung and Zhao discuss the features of Chinese OFDI from macroeconomic perspectives and the perspectives at the firm level (MORCK YEUNG ZHAO 2008). Others even tend to look at Chinese diplomacy and foreign policies through colored spectacles. This kind of study satirizes China's rise and criticizes that China tends to take advantage of its special diplomatic skills such as foreign investment, so-called win-win cooperation and soft power to plunder resources and energies, as well as to gain political and military support (KURLANTZICK 2007). Moreover, Chinese investment in Latin America considers a variety of non-economic factors, for instance for exchanging for the politics support – "one China" policy to withstand those supportive of Taipei (BLANCHARD 2016).

Furthermore, from the perspective of states, it is found that Chinese studies and foreign studies have quite different views. Chinese studies modestly argue that Chinese OFDI started late and China is still an emerging country in foreign investment comparing with the mature developed countries; and Chinese government need to make appropriate policies to encourage enterprises especially small and medium-sized companies (private) going out as well as orient them to avoid risks. The examples are papers from Luo Shifan and Geng Mingying (LUO GENG 2001), He Xinyi (HE 2016), Li Baomin (LI 2008), Chen Bo and Rong Feiqiong (CHEN RONG 2008), OuYang Yao (OUYANG 2007), Hu Ping, Xia Baoxiong (HU XIA 2004), and master's thesis from Yue Aixian (YUE 2004) and doctoral thesis from Liang Yingying (LIANG 2014). On the other hand, most foreign studies like to exaggerate the growth of China and the development of Chinese OFDI especially in African countries, regarding Chinese OFDI in Africa as a 21th century colonialism. Besides, they think China's rise is a threat to American hegemony, particularly in Latin America, and China is changing global order by means of its "skillful diplomacy" (KURLANTZICK 2007), strategies of overseas investment and extraction of resources, and all of this will upset the economic and geostrategic balance in the region. Studies of such kind have been done by Herbert Jauch (JAUCH 2011), François Lafargue and Philip Liddell (LAFARGUE LIDDELL 2006), Jean-Marc F. Blanchard (BLANCHARD 2016).

There are also some profound studies analyzing Chinese OFDI completely based on understanding Chinese situation and philosophy. About the motivations of Chinese OFDI, Kaplan argues that China intends to transfer industries' overcapacity abroad, in sectors such as infrastructure, construction, steel, and energy, to help its firms and workers go out searching for more opportunities (KAPLAN 2016). Wang studies Chinese transnational state-owned enterprises that controlled by government and argues that Chinese government's motivations are complex and they appear to combine Japan's major motivations in both the 1960s and 1990s, which point at transforming industry overcapacity, securing supplies of natural resources as well as taking over overseas markets (WANG 2002). In addition, he argues that apart from these conventional factors, Chinese investment in offshore plants is also motivated by other important forces that can be called "motivations with Chinese characteristics", which mainly refer to access to technology and political purposes, for example the resumption of Chinese legitimate seat at the UN and the Taiwan issue. However, this work also has its shortcomings. First, it is written in 2002, so that this view has become outdated to a large extent: the characteristic of small scale of Chinese transnational firms that Wang put forward has not been applicable for current Chinese firms, especially not suitable for large SOEs. Chinese transnational firms nowadays are participating in many Large investment project particularly the mergers and acquisitions (M&A) projects, such as American Motorola Mobility that get bought by Lenovo in 2014; Syngenta from Switzerland get bought by ChemChina in 2016; Hollywood's Legendary Entertainment that purchased by Dalian Wanda in 2016; etc. Second, about political goals that Chinese "special" FDI motivation is still in dispute. The example given in this paper about China using economic and diplomatic tools to secure African and other developing countries' support for its UN permanent membership in the early 1970s can indicate that China had demand of international political support at that time. However, lots of years have passed, today if we still use this example to prove that the key intention of Chinese OFDI is political support, and then it will remain farfetched. Thus, either we find more evidences to prove Chinese investment have more of a political purpose, or we find that the economic motivations are yet the mainstream.

Therefore, it can be observed that most of the studies about Chinese OFDI motivations are either one-sided, or outdated. After the president Xi Jinping took office in 2012, Chinese OFDI started get on a new stage, and his "The Belt and Road" policy initiated a larger scale of overseas investments. Under this circumstance, the thinking of the Chinese government has been changing and updating. Hence, there may be new elements arising today that can provide a better explanation of the reasoning behind the Chinese central government in the promotion of investments overseas. Are the foreign studies truly exaggerating Chinese growth on OFDI and Chinese improper behaviors in the process of investments? If China investing developing regions merely for the sake of snatching resources? The following chapter will discuss the Chinese central government's general OFDI policies and its policies in different regions so as to clarify the above queries.

4 CHINA’S RATIONALE ON OFDI: THE DISCOURSE AND THE PRACTICE

This chapter attempts to comprehensively and profoundly map and understand Chinese outward investment policies through a chronological and spatial approach. Given that all strategies and policies are made under the leadership of Chinese Communist Party, it is important to comprehend what is the logic, more accurately, what is the philosophy of Communist Party when they set up economic strategies, especially external policies. In this context, the first part of this section focuses on the core spirit and evolution of OFDI policies so that one can understand the reasoning of China’s government why it promotes such policies. The second part explains why the Chinese OFDI can be considered a special case of investment policy, which is different from traditional developed countries that enjoy a vast experience in overseas investment as well as distinct from other emerging developing countries. Finally, the third part compares Chinese OFDI from developed countries in practice. Moreover, it also observes the behavior of Chinese OFDI policies in different regions, containing not only the developed but also the developing world (including the so-called emerging powers).

4.1 THE CHINESE OFDI POLICIES UNDER OFFICIAL STATE DISCOURSE

This section intends to interpret the internal spirit of Chinese trade and outward investment, and then looks far and wide about the historical development of Chinese OFDI as a basis to study more deeply on it. By means of these interpretations, we analyze Chinese motivations when investing abroad. The last part discusses how Chinese OFDI policies affect the two types of transnational companies – SOEs and private enterprises.

4.1.1 The Spirit and Principles of China’s State Policy

Although China is still an emerging player on contemporary Outward FDI, its practice of having an economic presence in foreign communities can be traced back to early historical origins and still influences the Chinese policy today. Chinese foreign trade originates from Han dynasty (BC202-AC220) and in this period China built close commercial links with Central Asia, West Asia, South Asia, Europe and North Africa through trades of silk, chinaware, tea, and so on. Consequently, the so-called Silk Road became well known because of these trade and cultural exchanges (BAI WANG 2014).

> “For thousands of years, the Silk Road Spirit ‘peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit’ has been passed from generation to generation, promoted the progress of human civilization and contributed greatly to the prosperity and development of the countries along the Silk Road. Symbolizing communication and cooperation between the East and the West, the Silk Road Spirit is a historic and cultural heritage shared by all countries around the world” (SONG 2015).

Far different from any mystical analyses, it is possible to observe that the Chinese government still regard the spirit of the ancient Silk Road as an important reference for the development and refinement of China’s 21st century overseas trade and investment policy, especially in view of the weak recovery of the global economy, as well as the mounting complexity of international and regional economic relations. In fact, in 2013, the Chinese president Xi Jinping proposed the initiative of jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (“the Belt and Road plan”), which received positive echoes. According to the official document on the Belt and Road action plan from China’s National Development and Reform Commission (NDRC), China Ministry of Foreign Affairs (CMFA) and MOFCOM,

> “It upholds the Five Principles of Peaceful Coexistence: mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence” (SONG 2015).

These principles seem to widely represent a consistent conceptualization and standing of China’s government on international trade and investment. Indeed, within all the policies on OFDI during the latest 30 years, these core spirits and principles have never been changed. However, under the current political scenery of reversing globalization from the U.S. and the turbulent situation in the Middle East, China’s strategy for safeguarding peace and stable diplomacy by means of deepening economic and trade cooperation is going through trials and tribulations. With this new challenging global scenery, since the 18th National Congress of the Communist Party of China (CPC), Xi Jinping and his think tank put forward a new type of international relationship, which called “win-win cooperation”, in order to propose a harmonious and peaceful brand new world, replacing the old mindset of zero-sum game and cold war mentality. Besides, the CPC also proposed a new idea of “creating a community of shared future for mankind”. It calls upon all countries to abandon the outdated mindset of seeking alliance or confrontation, act along the trend of the times, treat each other as equals, value consultation and mutual understanding, and explore partnerships that are inclusive and constructive instead of targeting at an imagined enemy or any third party (WANG 2016).

4.1.2 The evolution of Chinese OFDI policy

China started to encourage the firms to invest overseas from 1979, then in 2000, an official announcement of “go global” strategy was issued following a number of measures. (KEN 2013). During the Southeast Asian economic crisis in 2007 and 2008, many countries suffered except China, who seized the opportunity and took advantage of the crisis having access to foreign markets so that gained an all-time high in 2010 (KEN 2013). Now more than ten years have passed, Chinese “go global” strategy got strengthened and further elaborated.

Thus, until 2015, China’s OFDI achieved a historic breakthrough. For the first time, the flow of OFDI ranked second in the world and exceeded the level of inward FDI over the same period. Besides, China realized net capital outflows of bi-directional FDI(MOFCOM NBS SAFE 2016). China’s great development on FDI benefited from “going out” policy. This policy has not achieved a quick success but has been based on a transforming and cautious process step by step, and it experienced an evolution from some specific regions to almost all the countries around the world, from initially through large SOEs to more reliance on private enterprises, and from restrictive to liberalizing policies on companies. Specifically, Chinese “going out” policy experienced the following phases:

a) On the initial stage of economic system reform, China groped its way forward to formulate OFDI policies, which were tentative and immature. This period in China, the focus of investment was attracting FDI inflow.
b) Since 1978, Chinese OFDI policies have been changing gradually from restrictions to encouragement. Specifically, before 2000, China limited the OFDI; and after 2000, with the strategy “going out” putting forward and China

entering WTO, China gradually cancelled some restrictions of examination on OFDI and started to encourage OFDI.

c) In August of 1979, the China State Council issued 15 economic reform measures, among which the thirteenth explicitly stipulated, “permit companies to invest abroad”. This is the first time that Chinese government authorized OFDI in official document (LIU 2012).

d) Another important document was the “Provisional Regulations Governing the Control and the Approval Procedure for Opening Non-trade Enterprises Overseas”, which was released in 1985 by the Ministry of Foreign Economic Relations and Trade[2] (MOFERT). This document shows that the Chinese government encouraged companies to invest abroad, at the same time, it also emphasized some specific requirements and procedures to examine and prove if transnational companies accord with the conditions of investing overseas. (HONG SUN 2006). In fact, at the early period of “go global”, all the foreign economic actions were controlled by central and provincial governments.

e) In 1991, the document “On Strengthening the Management of Overseas Investment projects” from China State Planning Commission (CSPC) showed many limits on OFDI, and demonstrated explicitly that China at that time had no conditions to carry out large-scale outward investment. The CSPC demonstrated that because of the lack of experience, and being unfamiliar with international market and host countries’ laws, many companies had a great deficit, which brought about the loss of national economy and even negative effect on politics (CHINA STATE PLANNING COMMISSION 1991). And in the same year, another official report “Project Proposal and Feasibility Study about the Establishment, Examination and Approval of Foreign Investment” made clear that Chinese companies could invest only in Hong Kong, Macau, the Soviet Union, and Eastern Europa Countries, and investing companies mainly referred to SOEs (CHINA STATE PLANNING COMMISSION 1991). These documents indicate that at that time, Chinese OFDI was very cautious and were totally under the guidelines of protecting national interest as well as avoiding risks.

[2] MOFERT, the predecessor of MOFCOM.

f) After Deng Xiaoping's southern tour (nanxun) and the 14th Party Congress in 1992, a new momentum was given to OFDI activities. And since that time, Chinese overseas operations by companies have been firmly incorporated into the economic development strategy (HONG SUN 2006). In 1997, Ministry of Foreign Trade and Economic Cooperation (MOFTEC) cancelled the restrictions about host countries for the Chinese investors, started permitting the companies to set up trade companies or agencies in other countries except Hong Kong, Macau and Taiwan (MOFTEC 1997).

g) In the third session of the ninth NPC 1999, the strategy "going out" was formally put forward, and two years later in 2001, China accessed into the WTO. Since then, the government gradually started to relax the control of foreign exchange. At this stage, Beijing decided to build 20 to 30 Chinese "national champion" companies that could potentially compete in the international arena. The national government assisted these companies with soft loans designed to encourage them to invest abroad (KURLANTZICK 2007).

h) In the year of 2004, MOFCOM and State Council issued two documents – "Provisions of Approval and examination on Investment in Hong Kong and Macau from Mainland Enterprises" and "Provisions of Approval and Examination about Overseas Investment and Establishment of Enterprises". In the former one it is stipulated explicitly that all types of enterprises are supported and encouraged to invest or start business in Hong Kong and Macau (MOFCOM 2004), which in fact liberalized the private enterprises. And in the other document all types of enterprises that have competitive advantages can invest and start business in 135 countries and regions (MOFCOM 2004), which permitted more investing destinations than ever before.

i) Based on the latest Report on "Development of China's Outward Investment and Economic Cooperation" from MOFCOM, in October 2015, Chinese communist party put forward the overall policies and measures on the promotion of OFDI. The outline is promoting the strategic layout of "opening up" policy, boosting the construction of "the Belt and Road", advancing international cooperation on industrial capacity and equipment manufacturing, and accelerating “going out” policy as well as improving growth of OFDI healthily (ZHOU GU XING 2015).

This process shows that the Chinese government has been decreasing restrictions on companies, especially on non-state owned companies, and increasingly encouraging them to go out and accept new challenges. As far as Chinese government is concerned, strict regulations and restrictions are necessary at the very start because the companies had been taking part in international market for a short time and were short of experience. Under the government’s macro guidance, they can behave in an orderly way abroad so that their investment projects will meet with laws, regulations and policies (KEN 2013). And according to the World Investment Report 2016, it is mentioned that the global investment policy is trending towards national security considerations (ZHAN BOLWJIN CASELLA 2016). Thus it can be seen that governmental protection of overseas investment is essential, and draws increasing attention from states. On the other side, these regulations to some extend limited the companies’ free development space and market, which resulted in today’s situation that SOEs are still the leading actors in multinational investment. However, this scenery may be changing and the structure of Chinese enterprises must adapt to the changes in the future.

In fact, since 2010, China has been intensifying the reform of SOEs, while at the same time giving more freedom to private enterprises. According to the Report on the Work of the Government by Wen Jiabao on 15 March 2011, the former premier minister of China stated that the government would “accelerate the implementation of the ‘go global’ strategy, improve relevant support policies, simplify examination and approval procedures, and provide assistance for qualified enterprises and individuals to invest overseas” (Wen 2011). In March 2017, Li Keqiang, the current prime minister, also emphasized in the Report on the Work of the Government “we unveiled policies to encourage private investment, and saw investment begin to stabilize”. Besides, he said, “pushed ahead with reforms to restructure and reorganize state-owned enterprises (SOEs) and introduce into them mixed ownership structures. The government established a review system to ensure fair competition”. In addition, Li gave an outlook for the future:

> “From 2017, the government will deepen reform to establish mixed ownership systems, and make substantive progress in industries including

> electric power, petroleum, natural gas, railways, civil aviation, telecommunications, and defense. Advance structural reform in the power, oil, and gas sectors and open their competitive operations to the private sector"(LI 2017).

These more open policies reflect the growth of Chinese private enterprises. One example should be presented to prove it is true. According to the news from State Administration for Industry and Commerce of China (SAIC) in April 2017, the province of Zhejiang was the first in China to issue a report of "Growth Index of Small and Medium-Sized Enterprises (SMSE)". In this report, the number of SMSE in Zhejiang reached 1.397 million at the end of 2016 that increased by 259.1 thousand, and the growth index increased by 7.37%, with year-on-year growth. SMSE is an important component in the national economy in China (ZENG 2017). It is maybe a signal: Chinese non-state owned companies are flourishing and increasingly playing a more important role in the international investment market.

In this context, are such events an indication that the Chinese government is seeking to completely liberalize the companies' overseas investment? In accordance with the document "Measures for the Administration of Overseas Investment" (original title "商务部令 2014 年第 3 号《境外投资管理办法》") from MOFCOM on September 6, 2014, in chapters 2, article 6 and 7:for companies investing in sensitive countries and regions, or in sensitive industries, the government approves and examines with rigorous procedures, that is to say, there exists limits of investment involving sensitive regions and sectors; other situations just put on records. Such "sensitive countries" refer to those that have no diplomatic relationship with China, or are sanctioned by the United Nations, and sensitive industries refer to industries with exportation-limited products and technologies, or impact on the interest of more than one country (region). Other common investment projects in common countries and regions are not necessary examined and just "put on record", which means they should be registered in the local government with a registration form and some simple documents(MOFCOM 2014). Thus, it can be seen that the government does not seem to be completely giving up on controlling or establishing limits, and that political relationship remains a quite significant consideration on overseas investment.

Here it is worth mentioning that until January 2017, there are 174 countries have established diplomatic relationships with China in line with the newest statistics by China Ministry of Foreign Affairs (CMFA), so the restrictions above may function only in a small range. Nevertheless, even if within the diplomatic relationship established countries, it does not mean that the companies can invest overseas at will. All the investing projects should be authentic and meet the regulations. Especially this year, in order to restrain the “overheating” of OFDI, the government will maintain or even reinforce the examination of OFDI’s authenticity and compliance to slow down the investing pace (WEN 2017). On 4 August 2017, the government published an official document – “Guidance on Further Regulating the Direction of Overseas Investment” –, emphasizing that it would “establish a blacklist system for foreign investment and impose a joint punishment on illegal investment practices” (NDRC et al. 2017). This document principally aims to instruct all companies to invest rationally. On the other side, it also indicates that China have realized its blindly large scale OFDI last several years, which also led to negative effects, apart from economic benefits. American Foreign Policy Magazine recently published news about Chinese investment abroad, which argues:

> “The rates of return of China’s outbound direct investment have been declining since 2014 to only 0.4 percent in 2016, lower than the 4 percent rate of return for the country’s foreign reserves, and compared to 6.8 percent for the US. In other words, Chinese firms and investors are strikingly bad investors abroad” (TANG 2017).

Thus, the idea of a rational OFDI under China’s state policy seems to focus more on the quality and risk reduction, since efficiency and risk aspects has been expressly affirmed by the Chinese government as issues it does not wish to ignore.

One reason for which Chinese OFDI policies are so rigorous and continuous because China still relies on a powerful central government, namely the Chinese communist party. As the unique commander-in-chief of the country, the communist party has been guiding macroeconomic readjustment and control. One significant means is the famous Five-Year Plan, which is to orient all the economic policies, strategies, reforms and social development. The Chinese OFDI policies are under the orientation of Five-Year Plans.

> “The ‘go global’ policy was stressed in both the tenth (2001-2005) and the Eleventh Five-Year Plan (2006-2010). The Twelfth Five Year Plan (2011-2015) maintains it as an objective of China’s policy towards international investment” (KEN 2013) .

The latest one is the thirteenth Five Year Plan (2016-2020). Under section 4 of chapter 49 of part 11 about openness and “going out”, it specifies that the government should “encourage Chinese financial institutions and enterprises to obtain financing in foreign markets. We will support enterprises in increasing overseas investment and becoming more deeply integrated into global production, value, and logistics chains, and will establish overseas production centers and cooperation zones for major commodities and actively build financial and information service platforms for outbound investment" (CHINESE COMMUNIST PARTY 2016). With Chinese OFDI deepening, the central government is paying more attention on investing quality and efficiency.

Nowadays, under the guidance of all these transforming policies above, Chinese OFDI is showing some new features and Chinese companies has taken place in a more diversified form, whether on the destinations or on the sectors and amounts (BRASIL-CHINA 2016):

a) The volume of acquisitions linked to energy and other natural resources has been falling, at the same time increasing the interest in technology assets, brand, financial sector and sector of real estate. Purchases in energy and mining sector declined from just over 80% in 2011 to about 15% in 2015.
b) With the reduction of operations related to natural resources, the negotiations tend to have a lower value. In 2014, for instance, small and medium-sized transactions that up to 1 billion US$ accounted for 40% of total investments.
c) The anti-corruption campaign may have reduced the investments of SOEs, opening more space for private companies. Chinese anti-corruption campaign started in 2013 by Xi Jinping, and a year later Chinese overseas M&As and Greenfield projects dropped to US$39 billion from US$ 46 billion. Many analysts believe that the main reason is a lack of major Chinese offshore energy investments, which is the principle target of Xi's graft war. For instance, on account of investigation and detainment of top executives at China National Petroleum Corporation (CNPC) in 2013, the company did not make a single offshore investment in the first half of 2014 (JAMIL 2014).
d) The lower interest in mining assets migrated to agribusiness. For example, the purchase of Smithfield by Chinese Shuanghui Group(Sino-foreign joint venture, private); the purchase of 60% of English Weetabix and 75% of Australian Manassen Foods by Chinese Bright Food Groups (SOE); Acquisition of several dairy farms from New Zealand by Pengxin (private). China's interest in sugarcane in Australia has also grown, with investment of Cofco (SOE) and Shanghai group.

e) Developed countries still account for the bulk of Chinese purchases, among which Europe is very attractive, USA is gaining participation and Australia is consolidating with one of the main destinations of Chinese investments. These three destinations account for 2/3 of Chinese acquisitions. Japan and Canada, on the other hand, have lost the space.

f) Financial investors, through private equity firms, financial conglomerates and insurance companies, have increased participation in operations as China begins to relax the restrictions for such entities to invest overseas. On this occasion, the development banks and sovereign wealth funds also grow.

g) The Belt and Road policy, rooted in the Silk Road, seems to be making timid progress with few deals in 2015 in Israel, Kazakhstan and Turkey. Eventually, in those countries, the strategy is in order to invest through Greenfield and loans rather than purchase of existing companies.

h) Recent acquisitions such as the unity of GE’s domestic appliances acquired by Haier and Syngenta acquired by ChemChina (which is shown as the largest purchase done by one Chinese company) revealed the search for consolidated markets, the global recognition of brands and for access to research and technology.

i) In addition, the entertainment segment also has been putting itself as strategic for Chinese groups. The Wanda group, after acquiring the AMC cinemas, bought Legendary Entertainment in 2016. China Media Capital injected 100 million US$ into Imagine Entertainment and Chinese Perfect World made a deal of500 million US$ with Universal Pictures. In the games segment, the Chinese movements also have been growing.

j) In the hotel segment it also should be noted the increase of Chinese presence. It is worth remembering the purchase of Waldorf-Astoria hotel by Anbang Insurance Group (private), which tried (without success) to acquire the Starwood Hotels.

All these cases of M&As reveal that the Chinese OFDI has just entered into a transformational moment. This is a crucial period for the governmental economic structure reform, in which the focus is not on the growth of investing quantity or scale, but its rationality. Restructuring the SOEs and encouraging private companies have been a new trend of Chinese OFDI policy and this is the only way to achieve Chinese

OFDI's healthy and rational development. The new policy "Record system is primary, Approval is auxiliary" became the new administrative mode of OFDI in order to simplify administrative procedures and delegate power to lower levels. In addition, the Chinese OFDI policies have been changing on the basis of its development degree and situation and in line with the confronting problems, macroeconomic readjustment and control is always Chinese central government's edge tool.

4.1.3 The effect of China's OFDI policies on TNCs

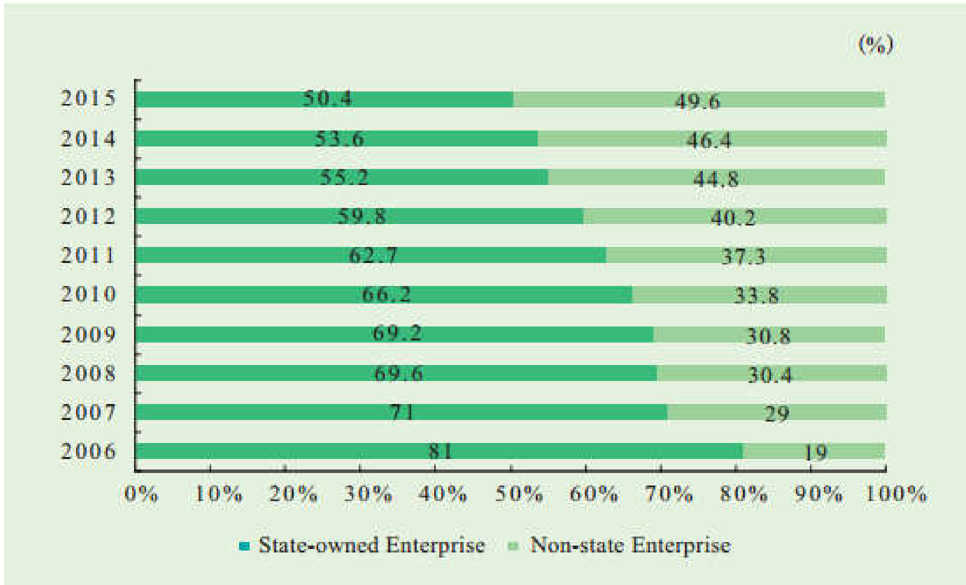
Transnational companies (TNCs) are the principle actors in the international FDI market. Every TNC has nationality, and the organizational set-up of the TNC largely depends on the institutional set-up of its home country (DRYSDALE FINDLAY 2009). In fact, any transnational company cannot break away from home country, and they should act in the area that the home country regulates. This can be varied from states to states, but there is no one transnational company can invest overseas without constraints. Just as Hymer said,

> "The firms' nationality is of the upmost important, for it affects the way they behave and it affects the treatment they receive…The behavior of a firm depends on its nationality partly because it is subject to control and taxation by its own government and partly because it may have nationalist sentiments. But most important is the fact that it is interested in eventually receiving its profits in its own currency" (HYMER 1955).

Thus, the TNCs depend on their home country because they and their home country have close interest relationship. Therefore, a question arises as to whether the transnational companies' investing actions are on behalf of national interest, which is to say if the home country wants to achieve some particular purpose through overseas investment. Sometimes, there is clash between the strategy from transnational companies and national interest. In this situation, traditionally the companies give priority to their own interests because of profits, seldom consider the interest of home country and host country (GUAN WANG 2013). In China is it a different case?

The particular characteristic of OFDI from China is that this country has too many SOEs. The following figure (Figure 1) shows that the proportion of state-owned enterprises and non-state enterprises in China´s outward FDI stock, 2006-2015 (MOFCOM NBS SAFE 2016). Although in recent years the private companies in OFDI grew rapidly, SOEs are still the main actors.

Figure 1 - Proportions of State-owned Enterprises and Non-state Enterprises in China’s Outward FDI Stock, 2006-2015



Source: 2015 Statistical Bulletin of China’s Outward Foreign Direct Investment, by MOFCOM, NBS, and SAFE.

Chinese OFDI originates in the context of a home economy with a high degree of political control and a long tradition of central planning. Hence, it comes as no surprise that SOEs dominate Chinese OFDI, although not exclusively. Of late, both provincial land private companies have benefited from the 'Go Out' policy. Notwithstanding their ownership structure, these companies are instruments of Chinese foreign policy. The central government plays a determining role in directing the FDI activities of the SOEs, because their transnational activities provide access to natural resources for industrial production as well as to new markets (PETER 2009). One study tested 132 FDI entries made by Chinese firms during 2000-2006, and found that the effects of home regulatory, host regulatory and host normative pressures on a firm to choose a joint ownership structure were stronger when the share of equity held by state entities in the firm was high. It also argues that state ownership creates the political affiliation of a firm with its home-country government (CUI JIANG 2012). This study proved with this certain sample that the more share the state account for in a firm, the stronger effect on firm’s decision by government power. Then maybe we can affirm that SOEs are on behalf of national interests, because who owns the biggest share in a firm is government. Suppose that some host country harmed the interest of home country of an investing SOE, if the government from home country will stop the SOE's investment actions to give sanction to this host country. From the perspective of nation, the home country government has right to do it because it has decision-making power. In 2014, Chinese government suspended the contracts that bid by Chinese SOEs in Vietnam, on account of the dispute about the South China Sea.

However, private companies that are structurally separate from external institutions should be driven by their self-interests. In China, this may be complicated. Although today most restrictions are cancelled and companies just put on records of their investment, in some sensitive situations, their actions still should be authorized by government. This is not to say the private companies are on behalf of state, normally they chase after self-profit, but if the occasion arises, they are affected by Chinese government.

The regime under which SOEs operate changes over time and it is clearly changing in China (DRYSDALE FINDLAY 2009). In recent years, Chinese government have started restructure the SOEs, which aims at decreasing the share of the state in the enterprises. This indicates that Chinese government is prepared to delegate the power to the lower levels, and then the influence from government may be reduced in the companies. In addition, the numbers of SOEs is becoming smaller so this may be the signal that the government will give the companies more autonomy.

4.2 DIFFERENCES BETWEEN CHINESE OFDI AND OTHER DEVELOPED COUNTRIES

Through a wide view of Chinese OFDI's development stages, some characteristics can be discovered, namely: a low starting, followed by a high speed, then eventual diversification. The great achievement that China gained, however, is not adequate to compete with developed countries. Although China's FDI outflows ranked the third place in 2014 and 2015 and the stock ranked the eighth at the end of 2015 (MOFCOM NBS SAFE 2016), there still exist several potential problems and limitations, like unreasonable structure and irrational behaviors. And it still has a big distance to reach the level of developed countries, such as United States, Germany, UK and Japan. Generally speaking, in comparison with developed economies' overseas investments, Chinese OFDI bears some important differences.

First of all, the biggest difference of China is the political regime. China is a socialist country, led by the Communist Party. This difference has been decisive in that Chinese OFDI's developments track is totally planned by central government. Although the private companies are increasingly active in the international investment, SOEs are still the main body and account for more than 50% of the OFDI stock. What should be clear here is that, while several developed countries often have their own SOEs, China's OFDI is composed by a huge share of SOEs. But this should not be a reason that Chinese OFDI has been criticized for a long time, because whether private or state-owned enterprises, they will always be tested ultimately in the international market. Besides, their success in investing overseas still depends on a large part on the business climate in the host countries. From 1982 to 2012, China signed Bilateral Investment Treaties with 105 countries, among which 35 are European, 38 are Asian, 3 from Oceania, 18 from Africa, and 22 are American. Each treaty has own specific regulations, but overall generally emphasize that

> "The investment actions should accord with the laws of each other; protect the investment business and capitals of two sides; create better environment and conditions for two sides (Department of Treaty and Law of MOFCOM)".

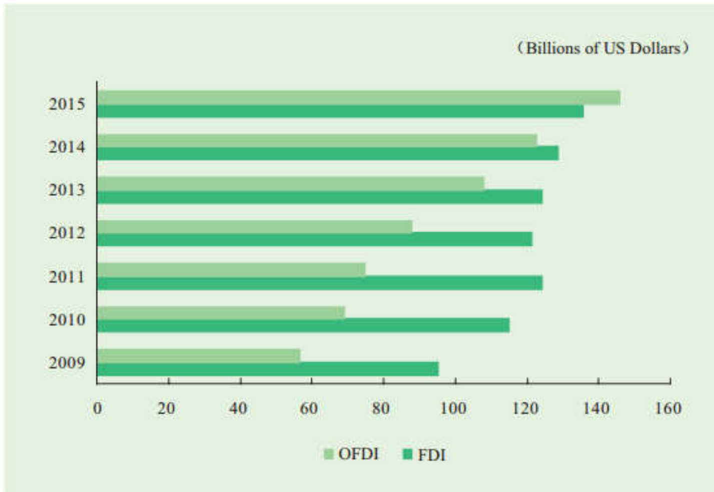
Through these treaties, it can be found that China has sought to establish stronger ties, at least from an institutional perspective, with most countries and to obtain the required foundations for their trust on Chinese investments. On the other hand, they also obtained better conditions for investing and accessing the Chinese market.

Nevertheless, as mentioned above, Chinese SOEs have many problems, and one of them is its internal corruption, though it seems to mainly originate as a systematic problem among developing nations with stronger government control over the economic activity. As SOEs are enterprises controlled by governments, many insiders, particularly general managers in the enterprises, have a close relationship with officials, and this causes a problem that the general managers and the officials can take advantage of mutual powers to achieve some purpose. While the institutional weakness on supervision system creates a relatively safe environment for the abuse of powers. For instance, general managers are willing to bribe officials for obtaining loans or winning the bidding; or sometimes in exchange of winning bidding, the general managers assist officials with “money laundering” in their enterprises (Wang 2004). This is the reason why the central government, especially which headed by Xi Jinping is devoting to reform SOEs, decreasing the power of general managers and enhancing the supervision, as well as encouraging private companies to participate the reform of SOEs (LI 2017), as already detailed at Section 4.1.2 above.

Secondly, comparing the experience of more than 100 years of outward FDI from big and rich economies, Chinese OFDI started very late and just has over 30 years of experience, while the United States occupied over 50% of the world’s stock of FDI after the Second World War (ROLLINGS 2011). After the “open door” policy was carried out, Chinese FDI inflows developed more rapidly than outflows. Though the latest years outward FDI developed more rapidly as well as surpassed inflows (shown in Figure 2), generally the OFDI is immature and unbalance (YI 2010). For example, Chinese investments highly concentrate in developed economies, which may lead to the rise of investing cost and impact the competitiveness of products so that increase investment risks. In addition, in terms of OFDI stock quantity, Chinese stock just accounts for 18% of American outward FDI stock. More importantly, in terms of the quality of Chinese OFDI, according to the criteria of Transnationality Index (TNI) that evaluate the quality and level of FDI by United Nations, transnational corporations with TNI of more than 20% have strong transnationality, but there are very few Chinese transnational corporations with TNI more than 20% (ZHANG CHEN 2014).

Thirdly, unlike the monopolistic advantage from American FDI Chinese outward FDI aims at joining the international competition to improve the competitiveness of Chinese companies. This is still a learning process. Instead of exploiting the international market through competitive advantages such as American, European and Japanese OFDI, Chinese OFDI is mainly to meet more challenges and make Chinese companies grow up among the difficulties. During this process of study, it makes Chinese become stronger and narrow the gap with foreign powerful companies (CHILD RODRIGUES 2005). Thus, Chinese companies overcame this technological disadvantage and focused on the acquisition of strategic assets at the very start by setting up R&D centers, acquisitions, joint ventures and development of strategic alliances with western in order to draw on the experience of advanced developed countries.

Figure 2 - OFDI and FDI Comparison in China, 2009-2015



Source: 2015 Statistical Bulletin of China's Outward Foreign Direct Investment, by MOFCOM, NBS, and SAFE. (Data on China's FDI from 2009 to 2015 is from the World Investment Report 2016 by UNCTAD).

Fourthly, Chinese OFDI policy has been along with Chinese philosophy, emphasizing "win-win" and mutual benefit, which many analysts argue that it is an excuse of ulterior motives. Nevertheless, part of China's new diplomacy is different from western powers—unwilling interfere in other countries' internal affairs, instead, wish to sign bilateral or multilateral agreements (KURLANTZICK 2007). Actually, China tries to use win-win trade cooperation to promote its peaceful diplomacy so as to maintain global stability or at least geopolitical harmony. By contrary, the United States' trade actions including its FDI are mainly for maintaining its regional hegemony and international economic order under American management besides of profits. Even the American media commented under the pressure of Chinese capital investments with the Belt and Road Initiative that the United States need strong, independent and reliable allies, partners to grow its crucial interests in Asia, because the US do not want to lose its dominant status (ELY SAMIR 2017). China, instead, insists on non-alignment diplomatic strategy and focuses more on mutual beneficial trade and investment.

Fifthly, different from developed countries, China would also like to change its overseas image of traditional low level "made in China" through more high quality and new mode investments. To encourage and support Chinese companies to adjust to the new current situation of “going out” strategy, and to shape up a good image, MOFCOM, CMFA, NDRC and other 4 national ministries issued “Opinions on the Cultural Construction of Chinese Overseas Enterprises” in 2012. In this document, all the overseas enterprises should abide by the laws and legislations of host countries, insist on fair competition, set up the moral idea, and keep integrity management. Moreover, the government calls on all the overseas companies to build and publicize their own enterprise cultures to reach the harmony with local social development. (MOFCOM NDRC CMFA 2012)

4.3 CHINESE OUTWARD FDI POLICY IN DIFFERENT REGIONS

This section describes the differences of Chinese OFDI policies in different regions, mainly comparing developing countries and developed countries, as well as in BRICS.

4.3.1 Chinese outward FDI policy in developed countries and in developing countries

The relation between countries is essentially driven by interests and profits. A nation invests in another because it wants to benefit from the investment. On the other hand, the investment receptor accepts this investment also considerate its own interests. This is a consensual process. China as a global investor is not an exception. Based on the different advantages, needs and cooperative intentions of countries and regions, Chinese government makes different strategies and policies to orient the companies’ behaviors. This is not based on the precondition what academic field usually think that Chinese investment in developing countries is totally for extracting resources. In fact, Chinese investments in recent years are diverse and vary country by country, and it cannot be concluded such absolutely and briefly. But, developed and developing countries have great differences after all, so this work tries to introduce the specific strategies of Chinese OFDI objectively and comprehensively in the following content.

Developed countries own high labor cost and high land cost, but they have advanced technology and management experience, so Chinese companies invest in developed countries mainly to obtain accesses to advanced foreign technologies, managerial know-how, R&D establishments, and distributional networks and brand names (HONG SUN 2006).This is a process of learning and referencing experiences. Therefore, mergers and acquisitions (M&A) is the principal entry mode of Chinese OFDI in developed economies, which can support a platform for Chinese companies to know better and faster the local market and customs, as well as take advantage of brand effect and available technologies. For example in United States, in 2015, Chinese enterprises conducted 97 M&As. The actual value of transaction reached US$13.05 billion. In particular, M&As through reinvestment by overseas enterprises amounted to US$11.19 billion, accounting for 85.7% of the total value of M&As (MOFCOM NBS SAFE 2016). In addition to United States, the main projects of M&A are also located in Cayman Islands, Italy, Hong Kong, Australia, Netherlands, and United Kingdom. And the sectors are showing in the table 1. From the sector distributions it can be seen that manufacturing and service sector play a main role, but it still involves natural resources areas. Actually, Chinese OFDI activities seeking natural resources have also taken place in developed countries. China Metallurgical Industrial Corporation's investment in the Channar Mine in Australia, and China National Non-ferrous Metal Industrial Corporation's investment in the Portland Aluminium Smelter in Australia, CITIC's investment in a sawmill in Canada, and Alberta and the China National Petroleum Corporation's equity in an oil extraction project in Canada (HONG SUN 2006).

In developing countries, there is no one regular entry mode because in recent years the Chinese investments in developing economies are increasingly diverse. About the purpose of Chinese OFDI in developing economies, although there exists much sound of “extraction of resources” and “new colonialism”, the mainstream argument is still ascribed to national interests, economic and political, for their huge consuming market, and also for building friendly relationship to obtain the future international support. For example in Africa, based on news bulletins in Zambia and elsewhere, it could be assumed that China only invested in resource-extraction activities, but this is not the case. All the major mines are owned by TNCs originating in countries other than China (LUNGU 2008).Indeed, only eight Chinese companies are directly involved in mining activities in Zambia, with the other Chinese companies investing in different sectors of the economy (KRAGELUND 2009).

Table 1 - Industrial Distributions of China's M&As, 2015

Industry	Number of M&As	Amount (Billions of US Dollars)	Share (%)
Manufacturing	131	13.72	25.2
Information Transmission, Software and IT Services	58	8.41	15.5
Financial Services	18	6.61	12.1
Mining	24	5.32	9.8
Culture, Sports and Entertainment	21	3.23	5.9
Leasing and business services	77	3.13	5.7
Hotels and Catering services	11	2.71	5.0
Wholesale and Retail Trade	81	2.66	4.9
Real Estate	21	2.07	3.8
Scientific Research and Technical Services	43	1.76	3.2
Transportation, Storage and Postal Services	11	1.61	3.0
Construction	9	1.12	2.1
Water Conservancy, Environment and Public Facility Management	4	0.88	1.6
Public Health and Social Work	10	0.43	0.8
Production and Supply of Electricity, Heat, Gas and Water	5	0.38	0.7
Agriculture, Forestry, Animal Husbandry and Fishery	37	0.26	0.5
Resident Services, Repair and Other Services	12	0.12	0.2
Education	6	0.02	—
Total	**579**	**54.44**	**100.0**

Source: 2015 Statistical Bulletin of China's Outward Foreign Direct Investment, by MOFCOM, NBS, and SAFE.

According to the 2015 Statistical Bulletin of China's Outward Foreign Direct Investment by MOFCOM, the top five industries of Chinese OFDI stock in Africa are mining, construction, manufacturing, financial services, scientific research and technical services. Mining as resource accounts for one part, but it is not a unique purpose. Moreover, in Zambia, the governmental institutions helped very much on the Zambia-China cooperation, among which the most important one is Chinese Embassy Chinese OFDI started with the construction of buildings on account of poor infrastructure in Africa, by Bank of China (KRAGELUND 2009).

> "China also can advertise its willingness to transfer technology, part of what supposedly makes it, as a developing nation itself, a different kind of actor. Poorer nations in Africa, Latin America, and Southeast Asia have been receptive to this and think Chinese companies are well-suited for investing in them. In Nigeria, where the government chose Chinese aerospace giant Great Wall Industry Corporation to launch a new Nigerian satellite, one foreign affairs official told the Financial Times, 'being a developing country, they understand us better. They are also prepared to put more on the table.

> For instance, the western world is never prepared to transfer technology—but the Chinese do'" (KURLANTZICK 2007).

In the investigation of Pew Research Center in 2015, 70 % of the African interviewees expressed positive attitude towards Chinese investments. What actually China obtained from investments with assistance in Africa, except profits, is their support in the international affairs. Just as the resumption of China's legitimate seat in United Nations to some extend attributed to African countries in 1971, today Chinese OFDI and aids are mainly for consolidating this friendly relationship and gaining much international support in the future.

> This is also why "the strong reactions vis-a-vis China do not, of course, solely originate in China's activities in Africa. Rather, its presence in Africa is perceived as one element in its 'global rise'(Gu, Humphrey, and Messner 2008), which is perceived as a threat to US hegemony, as well as complicating the tussle between the EU and the USA over "who controls Africa'" (CAMPBELL 2008).

The relationship between China and Africa and Chinese OFDI in Africa made western countries feel that they will not enjoy the monopoly any longer.

What cannot be ignored is that Chinese OFDI in Africa really caused much complaint due to some improper act, like unfair salary and treatment. Nevertheless, these acts are not governmental wish. In fact, Chinese government always emphasizes that all Chinese companies should respect local culture and customs, obey the international and local rules and laws, in addition to respect local human rights. The former premier Wen Jiabao, in presenting the outline of the Plan after its approval by the Central Committee of the Communist Party of China in October 2010， said that the outward investment should be "in an orderly manner" (Wen 2011). In 2013, MOFCOM published "Norms of Competition Behaviors in Foreign Investment and Cooperation", in which the fifth term of sixth article explicitly stipulated:

> "The expatriate personnel of companies shall obtain the employment targets approved by the government of the project country (region) and conform to the proportion of labor in the relevant local laws and regulations. Enterprises shall not obtain any kind of foreign investment cooperation projects by depressing the labor costs". Also, the second term of seventh article "All the companies should abide by the laws and regulations of host country, respect local customs, attach importance to environmental protection, safeguard local labor rights, actively participate in local public welfare undertaking, and fulfill the necessary social responsibility". (MOFCOM 2013).

However, the companies are driven by their own interests, chase after markets and profits, just as States that discussed above (of course they have different considerations), so they caused some irrational actions in transnational investments. In this situation, the government should strengthen supervision to the enterprises to decrease these illegal actions.

4.3.2 Chinese OFDI policy in BRICS

During the Post Financial Crisis Era, the emerging economies represented by Brazil, Russia, India, China and South Africa (BRICS) rose sharply. According to the latest data from the BRICS Joint Statistical Publication 2016, total population of BRICS countries reached 41.8% of the world's population in 2015, and the bloc represents 23% of the world economic volume (TECHNICAL TEAM OF BRICS 2016). To guarantee the economic long-term, stable and sustainable development, governments of BRICS express positive attitude towards FDI. Until 2011, the total amount of Chinese OFDI in BRICS countries reached US$8.96 billion, which increased 56 times compared with 2003.

This group of emerging economies always attracts much attention and many of them argue that China as a unipolar in this group devotes itself to strengthen cooperation with the group members trying to overthrow existing global order. Is it true? Indeed, the power from this group is controversial and far-fetched.

> "Although there seems to be broad consensus about the probable changes in power dynamics, there is much less agreement about how the process will unfold" and "there is little evidence that the BRICS should be seen as a coalition that is trying hard to balance against the United states"(GLOSNY 2010).

Actually, the meaning from this group tends to be self-progress through more economic cooperation, rather than challenge the order. China actively seeks cooperation and recently is preparing to build BRICs New Development Bank in order to deepen globalization, construct free trade district to promote Chinese commercial development. From the perspective of FDI, the strategic cooperation with BRICS members can decrease trade barriers and create a better investing environment, besides, as China and other members have complementary advantages with each other, they may grasp this emerging opportunity to obtain much more improvement. This is not China's unilateral willingness, although exists constraints in the group. On the 9th BRICS annual summit that occurred in Xiamen, in September of 2017,

> "China has attracted worldwide attention to how Brazil, Russia, India, China and South Africa will shape the bloc's future course amid challenges and uncertainties stemming from global economic sluggishness, increased anti-globalization sentiments in Western countries, regional security and geopolitical black swans, among others" (QU GAO 2017).

The meaning of the group BRICS is protecting the interests of developing countries, especially emerging countries. For China, holding the friendship with the members in BRICS has strategic significance. China is always searching for south-south cooperation, and hoping to acquire the consensus and support from emerging economies on its cooperative perspective-complement each other's advantages and pursue mutual benefit. As Xi Jinping put it in a Chinese saying "it is easy to break one arrow but hard to break ten arrows bundled together" (QU GAO 2017). This saying left behind "BRICS Plus" as one of its most important legacies in the summit, which means with the system of benefit sharing, the BRICS can be stronger in this challenging global scenery.

Among BRICS countries, India has a large population like China, so the cooperation can help them learn with each other. Chinese OFDI in South Africa involves financial services, energy, mining, manufacturing, construction and agriculture, and recently South Africa in seeking to more infrastructure projects. The Russian economy was always largely based on hydrocarbons, and the Brazil's expansion was a broader commodity play. Each one, therefore, natured an important relationship with China. Now, though, as commodity prices have sunk, China is the only buyer left and has no qualms about driving a hard bargain (BULLOCH 2016). Brazil and china are strategic partners and Brazil is also the largest trade partner of China among BRICS. They depend on each other more than ever before, particularly with the passive commercial policy of United States.

5 CASE STUDY: CHINESE INVESTMENT POLICY IN BRAZIL

This section attempts to understand the practical consequences of the Chinese OFDI policy in Latin America, and especially in Brazil. China has been recently increasing its interest in Latin America as its strategic and cooperative partner, and any economy activity of China must abide by the principle of "mutual benefit, trust and respect" However, as in other developing regions, Chinese investments in Latin America have been the subject of many criticisms from Western countries. These critics no doubt focus on two points: one is about energy and resources; the other is about threatening American hegemony. Most media criticized that, differently from the U.S. that considers more on short-term profits, China focuses on long-term interests, in order to expand the Chinese influence in Latin America. China's "win-win cooperation" in fact is a means to acquire energy and resources through investment and trade.

Indeed, Latin American countries own vast natural resources, energy, and an enlarging consumer market, and energy and resources are significant for satisfying Chinese great demand. Nevertheless, with the development of diversification of Chinese OFDI, it can be seen that China has been investing in various areas, and the intention is more on economy than on political considerations. Besides, despite many claims on the contrary, there is no sufficient evidence yet to prove that China intends to overturn the global order through OFDI. This section will discuss the position of energy and resources in Chinese direct investment in Latin America, and Chinese government's purpose towards its FDI.

5.1 CHINESE OFDI POLICY IN LATIN AMERICA

Breslin argue that Latin America is increasingly significant for Chinese OFDI, particularly in the energy area, but Chinese officials establish economic ties with Latin American countries insisting on "non-interference" policy and no political conditions principle (BRESLIN 2007). This new Chinese diplomacy, he argues, is challenging the hegemony of US, under which many states reluctantly respond to its political initiatives because of economic dependence.

The US hegemony is apparently for serving the US national interests in the name of "constructing a global liberal order". Being tired of the US traditional hegemony, the majority of Latin American states have started to accept Chinese new diplomatic mode that calls for “mutual respect and non-interference and seeks to mutual benefits”. Besides, China tends to break the traditional US hegemonic structure and spread a new concept – “building a human community with shared destiny”. This Chinese concept has been incorporated into a UN resolution for the first time, mirroring the global recognition of the concept and manifesting huge Chinese contribution to global governance (XIA 2017). About the motivations, Kaplan and Oliveira argue that apart from the financial incentives from the government, Chinese companies go out to invest, particularly on heavy industries like infrastructure, construction, on account of two principal reasons: getting away from the high prices of raw material in domestic market, and exploiting new markets(KAPLAN 2016) (OLIVEIRA 2012).

China’s foreign policy in Latin America is comprehensive and all-around. Chinese government issued the official documents about the policy in this region in 2008 and a new in 2016. The updated version sums up experience of cooperation with Latin American countries, and put forward new idea and measure in order to improve China and Latin America’s relationship.

> “China and Latin America have a long history of people’s friendship. After the founding of the People’s Republic of China in 1949, with the concerted efforts of several generations, the relations between China and Latin America have gone through a remarkable journey” (CHINA MINISTRY OF FOREIGN AFFAIRS 2016).

In the document, it emphasizes that China is committed to building a new relationship with Latin America in this new era, which pointing to an all-directional communication and cooperation, namely, in political, economic, cultural and of international affairs. Besides, this document indicates that,

> “China respects the right of Latin American countries to choose their own paths of development and is ready to work with Latin American countries to strengthen exchanges in governance experience, deepen strategic mutual trust and continue to understand and support each other on issues of core interests and major concerns, such as state sovereignty, territorial integrity, stability and development” (CHINA MINISTRY OF FOREIGN AFFAIRS 2016).

On the other hand, Chinese government adheres to “one-China” principle, and regards it as an important political foundation for China to develop relations with other countries in the world. This policy for Chinese government is a precondition before implement economic communication.

This can reveal that the cooperation between governments is not simply like trades between enterprises, but also consideration and caution on sensitive issues and national interests. “One China” policy is still a pre-condition of economic communication. China does not care about the Latin American countries’ national affairs for the sake of avoid stirring up trouble, but in relation to its own interest, China is skillful, and the economic cooperation must be based on this political pre-condition. Just that the support of “one China” policy is not the final purpose, as long as coming to a consensus on this issue, economic cooperation and communication is the ultimate goal of China. On the other hand, Latin American countries are also willing to accept this pre-condition usually, because for them Taiwan issue is not as important as their own economic development. Supporting “One China” policy may lose one little friend, but if they lose Chinese mainland and Communist Party as partner, it will cause a big negative effect on Latin America, considering that today Latin America’s economy relies largely on Chinese investment. For instance, Chinese investment boom in Brazil brought vitality for the country, exactly in the period of crisis, helping Brazil relieve the struggling economic pressure

The Latin American market is very important for Chinese “going out” strategies. China’s outward FDI stock in Latin America reached to US$126.32 billion, accounting for 11.5% of the total, being the second largest region of China’s OFDI stock until 2015, following Asia, according to the report of 2015 Statistical Bulletin from MOFCOM, National Bureau of Statistics, and State Administration of Foreign Exchange (MOFCOM NBS SAFE 2016).

Moreover, Latin America and China have compensation advantages with each other. Zhou Yongsheng, professor of China Foreign Affairs University, explained this compensation relationship. He argues that China and Latin American countries are all developing countries; they all have a certain gap with developed countries either in GDP per capital or in technology. Besides, he thinks that in terms of economy, China is the biggest developing economy and has obtained much growth on industry and technology; on the other hand, because of this great increase, China needs more energy and raw materials to support the development. For most Latin American countries, they have not reached the level on industry and hope to take advantage of Chinese industrial and technological capacity to improve their own economy (PENG 2015). For example, in the area of infrastructure and high technology, like high-speed railway, Brazil and Peru came to an agreement with China in 2015. At the same time, China also participated in the cooperation on satellite with Brazil, Bolivia, Peru and so on.

Latin America has rich resources, particularly in the area of petroleum and renewable energy. From the newest statistics of global oil by 2015, 19.4% of the oil reserve is from South and Central America, following the Middle East and ranking the second largest region of oil reserve in the world (BPSTATS 2016). China spent heavily on energy and resources in Latin America is out of necessity. According to Zhang and Chen (2014) China is world factory, whose manufacturing value added accounts for 22% of the whole world, and the products produced must satisfy the whole world. Therefore, it should be a normal economic phenomenon for China to import energy and resources to make up for the deficiency.

What is necessary to be mentioned is that, by 2002, China had become the world's second biggest consumer of oil, after the United States but ahead of Japan. And between 2000 and 2005, Beijing moved up from ninth to third place among the world's oil importers (LAFARGUE LIDDELL 2006). Although China is the forth oil production country, it still cannot make ends meet, and gravely relies on importation. So, investing in energy and resources fields is the important strategy of China.

At the same time, the data from Chinese OFDI in Latin America shows that China has already not satisfied that only invest in energy and resources, and its OFDI has involved in many fields, like financial services, infrastructure, agriculture, railway construction, education, space industry, etc. For example Sinopec, a state-owned petroleum energy and chemicals company, has invested in Brazil many years, and they have a branch office in Rio de Janeiro. Apart from Sinopec, many other Chinese enterprises also have been interested in Brazilian market, and some large ones purchase assets from Brazilian firms or invest through form of joint venture. They come from different areas, such as China Three Gorges Corporation (hydroenergy), State Grid Corp of China (petroleum), Cofco (agriculture), Hainan Airline (aviation), and Baidu Browser (information technoogy). In 2016 and 2017, deals involving Chinese firms have exceeded US$ 10 billion (LEAHY 2017).

Nowadays, Latin America would rather cooperate with Chinese companies to some extend because of the opposition to the globalization from American new government. Latin America has to seek a new great partner for their development. China seized this opportunity under this circumstance. In the past ten years, all the investment projects and cooperation agreements made Latin American countries noticed the importance from this strategic partnership, especially the development of diversity from Chinese investment, brought new vitality for all the fields.

5.2 CHINESE OFDI POLICY IN BRAZIL

The stock of FDI in the world is around US$20 trillion and most of it has come from the Western industrial economies. Much of the FDI is in fact a cross-investment among advanced economies. Of the ten largest recipients of FDI, eight are advanced economies: United States, United Kingdom, France, Germany, Canada, Spain, the Nether-lands, and Australia. The two emerging economies on the list are China (after the U.S.) and Brazil. As the only two emerging economies, the two countries have big markets and high potentials. These two countries, since built the strategic partner relationship in 1993 (ZUO 2011), have cooperated with an increasing trend.

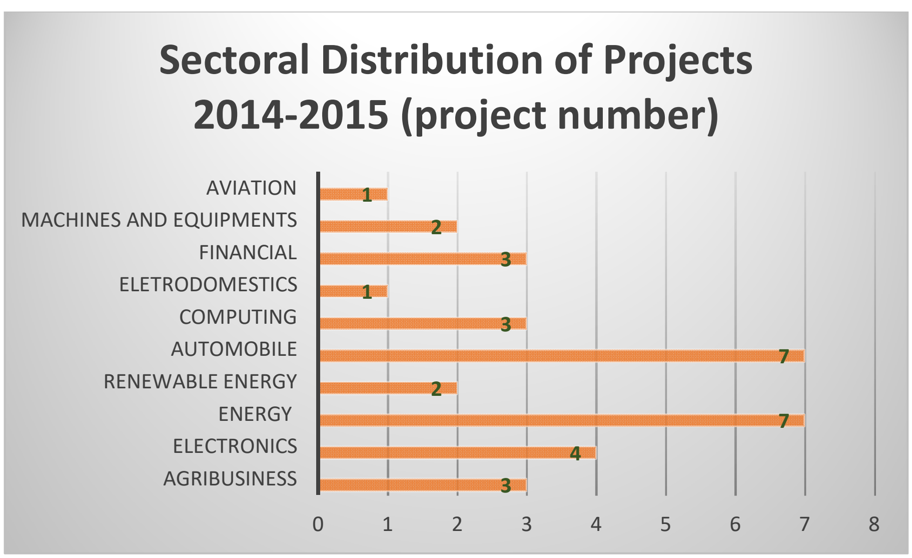
Among Latin American countries, Brazil is especially important for China. Brazil is biggest country in this region, and is the leader of Mercosur. More importantly, it is also an emerging country as well as a member in BRICS. The two States are similar in many aspects, but also have complementary advantages. China is a booming manufacture leader, and Brazil owns advanced agriculture as well as abundant natural resources and energy. Since 2005, China as loaned about US$ 140 billion to Latin America and almost half of that went to Venezuela. In the recent 10 years, however, China's interest in Latin America has gradually turned to countries with better financial foundation and higher demand of foreign capital, mainly Brazil (LEAHY 2017). It reveals that Brazil is increasingly attractive to Chinese investors. In the year of 2010, China became the largest source country of FDI in Brazil. "The dominant aspect of Chinese investment in 2010 was a rush to South America, led by (but not limited to) Brazil. Brazil was the fifth receptor of Chinese investment his year, following Australia, U.S., Nigeria, and Iran" (SCISSORS 2011).

In 2014, Chinese president Xi Jinping visited Brazil for participating in the fifth BRICS summit and celebrating the 40th anniversary of the establishment of diplomatic relations between China and Brazil. During the visit, the two countries signed 54 agreements of cooperation, involving diverse sectors such as commerce, science and technology, energy, education, defense, and civil aviation, which extended the scale of FDI and promoted the Sino-Brazilian strategic partnership. In 2015, the Chinese Prime Minister Li Keqiang also visited Brazil with investment projects of 50 billion dollars on infrastructure development, and signed 35 agreements with then-president Dilma Rousseff. At the same year, on the sidelines of the seventh BRICS summit, held in UFA, Russia, Chinese president Xi Jinping likens China-Brazil ties to a luxuriant tree, saying the two sides have maintained frequent high-level exchanges, constantly scored new achievements in mutually beneficial cooperation and had close dialogue and coordination in major international and regional affairs. Xi also added:

> "China is willing to work with together Brazil to cement multifaceted exchanges, constantly improve economic and trade cooperation, optimize trade structure, facilitate constant and stable growth of bilateral trade, enhance industrial investment cooperation in the sectors such as infrastructure construction, oil and gas, electricity, clean energy, equipment manufacturing, as well as agriculture and cement financial cooperation" (CHINA DAILY 2015).

Under this instruction, until 2015, Chinese OFDI has developed very quickly and almost stepped into all areas. According to the report from Conselho Empresarial Brasil-China (CEBC), Chinese FDI in Brazil performs in diverse sectors, such as energy, particularly in renewable energy, agribusiness, electronics, automobile, finance, machine and equipment, computing, and aviation. Figure 3 shows the number of Chinese projects of sectoral distribution in Brazil.

Figure 3 - Chinese project numbers in sectoral distribution 2014-2015



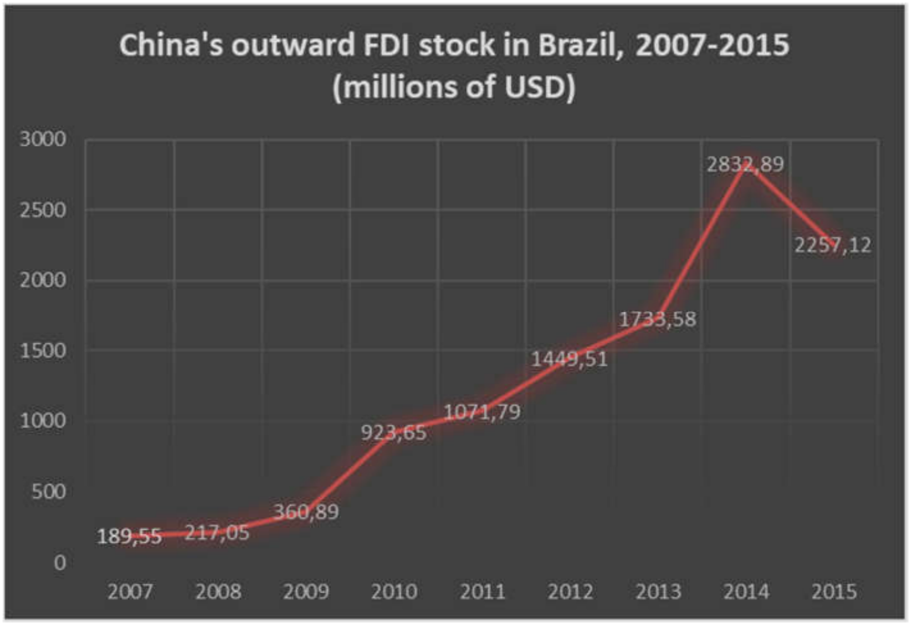
Source: adapted from consolidated list Conselho Empresarial Brasil-China (CEBC)

In terms of total value, during the past year, 2016, China announced 16 projects of investment in Brazil with the total value of US$ 12.5 billion, among which 12 projects (US$8.4 billion) have been confirmed (BARRUCHO 2017B). In line with the consulting firm Dealogic, China invested US$ 23.96 billion in the purchase of assets in Brazil, with almost 80% more than the US$ 13.4 billion that injected by the Americans in 2016. And China has become Brazil’s biggest foreign investor this year (DYNIEWICZ 2017).

The Figure 4 shows Chinese outward FDI stock in Brazil from 2007 to 2015. It is not difficult to find that Chinese investments in Brazil increased very fast and it has almost been growing for the last decade. Until the year of 2015, Chinese FDI stock in Brazil reached US$ 2257.12 million. From this figure, it can be observed that with the fast growth of Chinese FDI in Brazil, China is playing an increasingly important role in Brazilian economy. After 2014, M&As from Chinese firms in Brazil also increased rapidly. In the first four and half months of 2017, Chinese investors spent US$5.67 billion in M&As, representing 37.5 percent of total investment in the country. Just up to mid-April amounts to nearly half of the US$11.92 billion that China spent in 2016. According to the latest data from Dealogic, the number of Chinese acquisitions in Brazil reached 17, which peaked until the final of 2017. By contrast, there was 10 projects of acquisition in 2015, and 10 in 2016 (LEAHY 2017).

Chinese investments in Brazil has been gaining success mainly benefit from Brazil’s positive trade balance with China, thanks to increased iron and petroleum exports (XINHUA 2017). The coordinator of CEBC Tulio Cariello argues that M&A is the new entry mode of Chinese OFDI in Brazil and it achieved success in a short period. This mainly because “Chinese firms not only know about the Brazilian market well, but also know how to deal with Brazilian bureaucracy. The bureaucracy is active to provide fewer risks and guarantee greater efficiency” (BARRUCHO 2017). He also demonstrates other factors of the rapid growth of Chinese OFDI in Brazil. First, Chinese companies, among which the majority are controlled by government, benefit from the obtained experience of anterior companies. Second, the Asian banks always support the investments in finance and bilateral trade and they have already functioned in Brazil. Finally, China at the same time founded agency office for its commercial sale in São Paulo (CCPIT) for helping Chinese firms who want to invest in Brazil. All of these strategies reveals the maturity of Chinese investment skill.

Figure 4 - Chinese outward FDI stock in Brazil, 2007-2015



Note: the data are from 2015 Statistical Bulletin of China's Outward Foreign Direct Investment, by MOFCOM, NBS, and SAFE. The figure is original done by author.

While Washington breaks up trade deals, China sees the region as a "land of vitality and hope" (KEVIN GALLAGHER 2017). For China, Brazil has big consumption market, and rich oil and gas, good relations with Brazil bring it support in international venues and greater political influence, commodities and raw materials, and a huge market for exports (BLANCHARD 2016). A trend that Chinese OFDI develops in diverse areas in Brazil seems that China has been increasingly attaching importance to this strategic relationship. Especially under the negative diplomatic policies from United States, American hegemony in this continent may be impaired gradually. Just Parag Khanna argued in his famous book "The Second World: Empires and Influence in the New Global Order". About the relation between China and Brazil, he said:

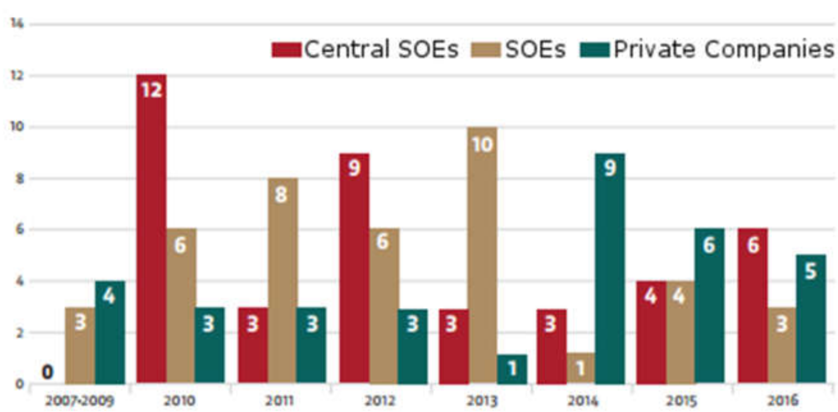
> "The 'strategic alliance' that develops between Brazil and China demonstrates that the United States no longer has automatic geopolitical market and that the countries of the Second World[3] can cooperate to stay balanced, though competing" (KHANNA 2008).

[3] Second World, defined by Parag Khanna, means a world between the First World and the Third World, which the First World refers to stable and prosperous countries benefit from the prevalent international order, on the other hand, the Third World refers to the poor and unstable countries without capacity to overcome the position of disadvantage in this order. The Second World presents these two characteristics, internally divided between winners and losers.

With the development of world multi-polarization, the emerging countries tend to choose cooperation partners diversely and purposely choose cooperators that conform to their mutual interests. As the giant countries in Asia and Latin America, China and Brazil own mutual complementary demands. Brazil exports iron ore, wood, zinc, meat, milk, cereals, and soy, while China invests in hydroelectric dams, steel mill and refinery. The bilateral trade thrived enormously, with Brazilian significant surplus (ROHTER 2005).

In terms of analyzing the structure of ownership of Chinese companies in Brazil last several years, it is noted that the majority – 13 of total 20 – are private companies. Although until 2013, Chinese government has been the partner of largest share in the companies, in the latter half of the year, the private sector took the leadership, following the Chinese companies' profile that are increasingly participating in the international market. The following graphic describes the changes of types of Chinese companies. And it can be found that in 2014 and 2015, the percentage of private companies among all types of Chinese companies is the highest (BRASIL-CHINA 2016). The Figure 5 illustrates all types of companies of Chinese investment in Brazil.

Figure 5 - Chinese investment in Brazil in different types of enterprises, 2007-2016



Source: adapted from consolidated list Conselho Empresarial Brasil-China (CEBC)

It is observed that in recent three years, the number of Chinese private companies has been increased and started playing an important role on OFDI in Brazil, particularly in 2014, there are more private companies than the sum of central SOEs and local SOEs. What cannot be ignored is that although the number of

Chinese private companies has been increasing, the amount of their investments is still small comparing with that in SOEs. This is because the key sectors investment like energy and infrastructure that need high level of financing are only controlled by Chinese government, that is, the investment on these key sectors is just from SOEs, for example, China Development Bank, China Three Gorges, and State Grid. Despite that the investment from SOEs always cause controversy, Chinese direct investment from these SOEs on key sectors is significant for Brazil under the circumstance of unstable political situation and economic crisis last several years.

5.3 THE PERCEPTIONS OF CHINESE COMPANIES IN BRAZIL

Based on the Chinese FDI's characteristics above, such as high investment value, large-scale acquisitions, diverse sectors, increasing interest and influence in the region, and Chinese state-owned companies with a large number, we argue that Brazil, as the most influential country in Latin America, is a good case to help study the Chinese motivations behind and through its outward investments. This case should be classified into the scope that China invests in developing countries, particularly in the BRICS. However, it is worth observing that, as even the BRICS members have strikingly different features among themselves, and it is impossible to study specifically Chinese OFDI in all such countries, we argue that it is meaningless to compare the Chinese investments among every country, and it is not the purpose of this work. Thus, we choose Brazil as the only subject of investment recipient in order to observe what are the perceptions of Chinese companies on their investments in Brazil and to what extent that the Chinese government may be affecting their behavior. This choice is also meaningful because China is increasingly interested in investing in Brazil. Given such interest, Chinese FDI is more active and then it can reveal the motivation from the government from a more robust perspective.

5.3.1 Interview design

All interview questions were designed in accordance with the objective of this work, which was mainly to observe the purposes and motivations behind the Chinese OFDI. The interviews originally intended to reach two kinds of interviewees: institutions and companies. For the institutions, the goal was to ask them about their opinions on all Chinese companies in Brazil, while companies were interviewed about their own businesses. Given that there are both Chinese and Brazilian managers in the interviewed companies, the interview questions were made in both Chinese and Portuguese. However, what was applied more is in Chinese language because Brazilian managers did not demonstrate or wished to elaborate much knowledge about China's government policy, even if they worked in Chinese companies. Consequently, all interviewees were eventually of Chinese origin or native.

There were a total of 13 questions prepared for the companies, divided into three parts. The first part (first 4 questions) mainly discusses the fundamental information about the company's investment in Brazil, such as "in which year your company started investing in Brazil", "the investment is in long term or short term, how long will be", and "why chose Brazil to invest". From these questions, we intend to know the general plan of companies' FDI in Brazil. The second part (question 5, 6, 7, 8, 9) try to know the government's influence on companies' overseas investment from the perspective of companies, for example, "if your company acquired some support from government, like financial, technical or legislative"; "if Chinese government put some restrictions or requirements on your investment"; "should your investment be instructed by government or not"; and "is the investment market-driving, resource/energy driving, or others". The last part (question 10, 11, 12) is about the effect of Brazilian political climate, like "what is the effect of Brazilian political instability on Chinese investment" and "which precautions that taken against risks by your company and by Chinese government". In addition, there is an optional question for all of interviewees "in your opinion, what is the biggest difference between SOEs and private companies in regard of FDI", trying to observe if the companies feel distinction between these two types of enterprises, especially in the aspect of policy. The original interview list is attached at Appendix 1 and 2 at the last part of the work.

The questions for two institutions are similar with that of company, just among which the first part about basic company plan of investment is replaced by "how many Chinese companies investing in Brazil" and "among them, how many are SOEs, and how many are private". Unfortunately, these questions were not utilized because the institutions that we tried to invite showed unwillingness to participate in the interviews.

5.3.2 Planned Interviewees

In order to know better Chinese investment from a close range, we decided to make interviews with the companies. The ideal situation is collecting all Chinese companies in Brazil and making an interview with all of them. However, considering the importance of popularity and scale of companies, we argue that large and popular Chinese companies especially some state-owned ones should be the focus. Besides, there exists limit to get companies' contact. So finally 13 Chinese companies were selected, and are contacted through email, phone call, and WeChat (Chinese popular communication software). It is worth raising that we already met some managers and tried to invite face to face. Remember that WeChat today has already become a common and even formal way to get in touch with Chinese. It is no exaggeration to say if one sends message to a Chinese through WeChat, he will usually reply just in time. At the same time, e-mail is still the most formal way to invite the companies to join the interview. Therefore, for the companies that we are more familiar and got the contact of WeChat, we sent them message directly, while for those we never contacted and did not acquire their Wechat contact, we found their e-mails and sent invitation letter. What's more, we also tried to contact with Brazil-China Chamber (CCIBC) and China Council for the Promotion of International Trade (CCPIT)—agency in Brazil. These companies and institutions are presented as follows.

CCIBC is known as an instructor that guides and inform Chinese and Brazilian companies cope with commercial questions, laws and legislations in both countries. Besides, it helps to promote the communication and cooperation in economic, academic and cultural areas between two countries. Differently, CCPIT Brazil, as an institution abroad of Chinese government, its main mission is to advertise and introduce Chinese trade and commercial policies, implement trade activities, attract foreign business and investment, and strengthen Chinese and Brazilian companies' association and cooperation. Therefore, it can be seen that these two institutes are also important for our research, particularly on the policies; they should be very familiar with what Chinese government thinks when investing overseas. In terms of Chinese companies in Brazil, we get in touch with 13 companies, and they are involved in different sectors. The popular ones are China Three Gorges (energy), China Sinopec (petroleum), Chery (automobile), China State Grid (energy), BYD (automobile), Chint (electronic), NUCTECH (machine and equipment), PowerChina—SEPCO1 Electric Power Construction Corporation (energy) , HIKVISION (equipment and technology), Bank of China (financial), SDEPCI (nuclear power and energy). At the same time, two private small companies are also invited for the interviews; one of them is Demei Metals, which opened a subsidiary company to manage their foreign trade in Brazil. The other one is not willing to tell the name of the company, but what they do belongs to the sector of fishery.

Among these 13 companies, seven are central SOEs, which are Bank of China (BOC), China Three Gorges (CTG), Sinopec, China State Grid, NUCTECH, PowerChina—SEPCO1, and HIKVISION. Two of them are SOEs, Chery and SDEPCI, and the rest four are private enterprises, they are BYD, Chint, Demei Metals and one anonymous.

5.3.3 Contact process and feedback

Below is a table that shows the reactions and feedbacks from the institutions and companies. Among them, CCIBC is the only one that we get contacted via phone call. Eight companies are contacted through WeChat, and the rest are by means of the formal e-mail. It is also showing that four of interviewees are contacted with multi-ways, on account of the difficulties to draw their attention. In addition, we met three institutions and companies and talked to them face to face to present this research and invite them to the interview, they are CCPIT, CTG and BYD, which are the representatives of institution, SOE and private companies. We attempt to obtain their contact by all means and try to invite them many times. The interviewees are the managers and president of the companies, who should know the business of company in Brazil.

Table 2: Feedbacks of the companies and institutes

Feedback / Name	Contact Way	Interviewee (predicted)	Reply	Participation	P/N	Degree of Completion (0-10)
CCIBC	Call	president	No	No	N	0
CCPIT	face to face, e-mail	Representative in Brazil	Yes	No	N	0
BOC	WeChat	Marketing manager	Yes	No	N	0
CTG	face to face, WeChat	Operation manager	Yes	Yes	P	10
Sinopec	WeChat	Middle-class manager	Yes	Yes	More or less	5
State Grid	e-mail	IT manager	Yes	No	N	0
NUCTECH	e-mail	General director	No	No	N	0
SEPCO1	e-mail	HR manager	No	No	N	0
HIKVISION	e-mail, WeChat	Marketing manager	Yes	No	N	0
Chery	WeChat	After-sales manager	Yes	Yes	P	7
SDEPCI	e-mail	Administrative assistant	No	No	N	0
BYD	face to face, e-mail, WeChat	Marketing manager	Yes	No	N	0
Chint	e-mail	Account Manager	No	No	N	0
Demei	WeChat	Marketing manager	Yes	Yes	P	9
anonymous	WeChat	General manager	Yes	Yes	More or less	7

Note:
1. P/N means positive or negative, this reveals the attitude from managers.
2. Degree of completion 0-10 measures if all the questions are answered and to what extent the managers described, which 0 means no answer and 10 means completely answered.

The table shows that five companies (including CCIBC) did not reply, neither phone call, nor e-mail. Note that all the companies that are contacted through

WeChat answered. However, reply doesn't mean they are willing to accept interview. Among these companies that replied, five companies accepted and made interviews with us. The content of their interviews will be discussed later. Those replied but could not complete interviews should be separated into three types. One refused and expressed that they are not interest in this kind of question, for example State Grid. The second, such as CCPIT, BOC, and BYD, replied at first and accepted the interview, but after that, we lost their contact. It is possibly because they were busy on their work and forgot it, or changed their mind. The last type also refused, but the reason is that it is not convenient to discuss about their investment.

All replied and participated in the interview are the following five companies: CTG, Chery, Sinopec, Demei Metals and an anonymous fishing company. Among them CTG, Chery and Demei Metals are more active, and they answered the questions with a more comprehensive and profound level, by contrast, the other two answered with a reluctant attitude. This is what the last two dimensions in the table function.

5.3.4 Interview Results

This part discusses the answers of the interviews from those five companies. According to the degree of completion, the results will be described from the most complete and in-depth one to the least integrated one. Thus, the order will be CTG, Demei Metals, Chery, anonymous company and Sinopec.

I. **Name:** China Three Gorges (CTG)
Interviewee: operation manager (Chinese)
Nature: central SOE
Area: renewable energy
Time: 09/09/2017

Content: The operation manager from CTG demonstrated that CTG Brazil was founded in 2013, after a systematic and cautious analysis of investment since 2010. After many M&A projects successfully made in Brazil, today, CTG Brazil owns 14 shareholding hydropower station, 3 joint shareholding hydropower station and 11 equity participating wind power plant, which are located in 10 States of Brazil. CTG Brazil, currently, have become the second largest power generating company in

Brazil, which built a good image in local government, power industry area and capital market. The investment of CTG in Brazil is encouraged by Chinese government and by “The Road and The Belt” Initiative, so the company aims at obtaining a long-term development, not only in hydropower sector, but also in wind power and solar power areas. The reason why choose Brazil to invest in spite of long distance and different cultures is that Brazil is a very significant member of BRICS, one of the world’s richest countries with hydropower resources, and owns rich experience as well as advanced level in developing hydropower, which CTG must know about and look for cooperation. About the distance and culture difference, he emphasized that dealing with these problems is a basic capacity for TNCs.

With respect to the effect from Chinese government, the manager said the role of central government is only examining and approving before start to invest overseas, but the market analysis, risk assessment, financing and contract are handled by own company on the basis of international market rule. Moreover, as far as he knows, Chinese government does not impose any political condition, and during the investment, no restriction is received from government. Besides, he stresses that the decisions are made by own company, apart from the macro-policy that instruct the general investment behavior, government does not intervening the companies’ decisions. In addition, the intention of their investment is mainly for the profit, and the energy that generated in Brazil will benefit local residents.

Facing the instable political climate of Brazil, the manager added that they focus more on supervision policy and exchange rate movement. For the risk of uncertainty of politics, CTG Brazil, on one side, will pursuit expanding their business area, “do not put eggs in one basket”; on the other side, disperse risk through issuing bonds and sharing equity. In terms of Chinese government’s formal measures to remind companies preventing investment trouble, however, he explained that so far it still have no specific measures to help companies, because the business of each company is different from others, it is difficult to formulate a common instruction.

About the optional question, he thinks that SOEs and private companies have no difference in marketing operation; many private companies such as Huawei, Alibaba are very successful in international investment. If there exits some difference between them, he said that, SOEs should take more social responsibility, and from this point of view, SOEs bear more pressure.

Conclusion: Based on the conversation with this manager from CTG, it can be found that Chinese government actually didn't add any political pre-condition on his company and nor restrictions on their investment. Instead, Chinese government encouraged them to develop FDI in Brazil. In the meantime, Chinese government does not intervene the regular investment, even SOEs. More importantly, it is seen that although it is a state-owned company, the main purpose is still the profit.

II. Name: Demei Metals

Interviewee: marketing manager (Chinese)

Nature: private company

Area: domestic accessories

Time: 11/09/2017

Content: As a small-scale private company, Demei mainly works on domestic metal accessories. They started to invest in Brazil in 2011, and their plan is going to develop their business in Brazil with a long term, but depending on the benefits. As for the motive of investment in Brazil, the marketing manager said that another company introduced Brazil and its booming economy in 2008; in the meantime, the company also has clients that purchase many products from them. These two principal reasons attracted this company to invest in Brazil.

About the effect from Chinese government, he told that usually the private companies are difficult to get the financial or technical support, but sometimes, they obtain subsidy from local government for the help of exhibition. As for the restrictions and political condition, he mentioned that they are not involved in this kind of problems; meanwhile, Chinese government now encourages all companies going out, so it does not intervene the companies' normal investment activities. Sometimes, China-Brazil Chamber gives some instructions. In addition, the purpose of their investment is benefiting from the profit and large market.

In terms of Brazil's uncertain political scenery, the manager said that they worry about the instable exchange rate, and they are prepared to withdraw from the Brazilian market, in order to avoid the risks. As he knows, the Chinese government did not issue specific precautionary measures.

At last, he thinks private companies consider more about their own interests, and they usually have little ability to stand big risks. On the contrary, SOEs often set out strategic plan and distribution, and have a close contact with national policy.

Conclusion: Based on this information above, observe that this private company is not affected much by Chinese government's policy, and has no political pressure, by contrast, it received help from local government, which reveal that the government encourages companies going out to expand market. Besides, they care more about their own profit and worry more about the risks.

III. **Name:** Chery

Interviewee: after-sales manager (Chinese)

Nature: SOE

Area: automobile

Time: 19/09/2017

Content: According to the description from this after-sales manager, Chery started to invest in Brazil since 2011, and their plan is to improve their business for a long time. The Chery has a factory in Brazil, which is located in Jacareí. The company wishes Chery can become a famous and approved brand in the sector of automobile in Brazil, like Honda and Hyundai. Choosing Brazil for investing because Brazil owns a big market, with the annual capacity of 3 million of cars in the market. The Brazilian people have a great potential to consume cars, and it is a good chance for Chery expanding its presence in the international area.

About the influence from Chinese government, he just said that the local government requires that the payback of investment cannot be a very long time. However, the other questions concerning support, political conditions or limit, he didn't answer them. In addition, market driving and profit driving are still the principal reasons that Chery invests in Brazil.

What affects much on their investment is Brazilian economic crisis, on account of political turbulence. The economic crisis led to a great devaluation of Real (Brazilian currency) that many companies including Chery have shrank their own scale of investment, for the sake of preventing from getting damaged. But he is optimistic for the recovery of Brazilian economy and under this situation; Chinese companies probably will enlarge the investment again. In order to prevent from the risks, Chery decided to examine the entry of new products more rigorously, on the other side, reduce the scale of investment.

In terms of the difference between SOEs and private companies, the manager considers that SOEs own enough ability to invest in large project with a gigantic value, while the private companies generally invest in small scale, thus the private companies can make decision faster and have a direct goal. By contrast, SOEs spend much more time and hesitate in making a decision so that they cannot follow the update speed of the market.

Conclusion: Although Chery is a SOE, they still care more about their own profit and benefit. Besides, they are more cautious in the investing market and worry that the instable Brazilian economy will affect them.

IV. **Name:** anonymous

Interviewee: general manager (Chinese)

Nature: private company

Area: fishery

Time: 15/09/2017

Content: The general manager did not inform the name of this company. They started investing in Brazil in 2016, and they plan to develop their business in Brazil with a long term, at least 3 years, lying on the performance. They choose Brazil because they had trade communication with Brazilian companies, and they think that Brazil has rich resources in fishery.

About the effect from Chinese government, she indicates that Chinese government never put restriction or political condition on them, and there is no requirement from the government; likewise, they did not received financial or technical support, they own freedom and can follow their own plan to invest overseas. Their investment activities are not guided by government. The motivations of their investment point at multiple factors, namely market driving, profit driving and resource driving.

Considering the uncertainty of politics and economic crisis of Brazil, she added that they would decrease the scale of investment and always focus on the change of political climate. Moreover, other than obeying the rules and regulations, they devote themselves to cooperate with formal law office, accounting firm and other investment companies. Whereas, she said, the government normally no issue specific measure for the transnational companies, even though there are some protection measures, they are hysteretic to some extent.

As regards the difference of SOEs and private firms, she thinks that comparing with private firms, SOEs are financially strong, and have a strong relationship with government. In this respect, they have high political sensitivity.

Conclusion: As a private firm, they have more autonomy and get less effect from government. And their motivation is multiple.

V. **Name:** Sinopec

Interviewee: middle-class manager (Chinese)

Nature: central SOE

Area: petroleum

Time: 27/09/2017

Content: China Sinopec Group is a central SOE, which controlled totally by Chinese central government, and is a super-large petroleum and petrochemical enterprise group. Sinopec started investing in Brazil since 2009, in 2010, Sinopec purchased 40% share of Brazilian operation from Repsol, whose headquarter is located in Madrid, and two companies have formed a joint venture consortium. Their Brazil branch is located in Rio de Janeiro. According to this middle-class manager, Sinopec has planned to invest in Brazil for a long term, which means 30 years at least. Choosing Brazil is mainly because this country has rich oil and gas resources.

As a central SOE, Sinopec received financial and foreign exchange support from central government of China, but the manager said that there is neither restriction nor requirement being imposed by government. The investment of Sinopec has been developing actively, mainly depending on Chinese “going out” strategy. In addition, resource, energy and profit are principal motivations. Note that they invest in Brazil for the reason that Brazil has rich oil and gas resources, but these resources will be imported by many countries around the world. The company will benefit from the profit from selling petroleum.

In terms of instability of politics, she argues that this problem have influenced the improvement of Brazilian economy, as well as the tax also increased a lot. Therefore, they are more cautious than before. As she knows, Chinese government did not issue any specific measure to guide companies.

About the difference of two kinds of companies, she thinks that SOEs have a complicated process to make a decision, which takes a long time and leads to a poor efficiency.

Conclusion: With a long term of investment, Sinopec has rich experience in Brazil, and seeking profit is their main motivation. They obtain support from central government, both financial and foreign currency.

Based on the interview results from this case study, we observe that economic interest can be the main demand of Chinese OFDI, which in form of obtaining controlling interest by acquisition and joint venture. However, it did not bring us a strong affirmation because this research studied a small sample of enterprises. Besides, from the perspective of these enterprises, Chinese government does not add political pressure on its companies; and generally speaking, it publicizes non-intervening other countries' politics and avoid involving sensitive issues.

Specifically, in terms of different types of enterprises, comparing with SOEs, private companies normally have more autonomy, short-term plan and fast decision-making in overseas market, while SOEs usually have large-scale project and long-term overseas plan under the management of government. From the perspective of specific sector, energy is the significant area for Chinese investing interest in Latin America, particularly in Brazil. However, from the perspective of whole investment situation, actually, resource-seeking has been weakened, with the tendency of diversification of investment sector. Moreover, investing resource and energy sector is mainly for profit, not for proper resources. Therefore, to some extent, it is exaggerated to conclude that resource and energy extraction is the main intention of Chinese OFDI. In addition, the refusal of many companies shows that Chinese companies, especially Chinese SOEs, are very cautious and closed to reveal their thoughts, which diminished the empirical study effectiveness.

6 CONCLUDING REMARKS

This work studied and analyzed the Chinese OFDI policies in a macro-perspective and through these policies observed the motivations of Chinese government. With 40 years of reform and openness, Chinese overseas investments have growing explosively presenting an enormous capital spread all over the world, and displaying some different characteristics comparing with traditional OFDI. It caused many critics that many studies considerate Chinese government has some special motivation on account of the key sectors and great value that China invests. Generally, Chinese intention of investment, according to this study, is pointing to economic interest, however, to some extent, it also relates to political element, such as “one China” policy as a basic pre-condition of cooperation. In fact, this is a complex question to state what the motivation of Chinese OFDI is, because its investment actions present a mixed demand of country, such as natural resources, transference of heavy industry overcapacity, market share, acquisition of popularity, and so on. Moreover, the diversification of China’s investment makes its motivation disperse and vague that is difficult to define with a simple method. Every economic activity will turn to be complicated when it mixes with politics, and China is not an exception. A mass of overseas investments of China under the governance of Chinese Communist Party shows a high concentration of power, which for other countries, particularly the United States, is a huge threat and challenge in international investment market, even if this is not an original intention of Chinese government.

The qualitative analysis utilized by this work offered a basic tendency of Chinese OFDI last several years. In the future study, more quantitative study related to data of present development of Chinese overseas investment will be completed, and study about “Win-Win” cooperation issue on economic relation between China and Latin America, especially with Brazil, should be strengthened.

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APPENDIX 1 — INTERVIEW QUESTIONS FOR COMPANIES (IN CHINESE)

访谈问题

作者声明：本着客观真实的学术研究态度，所有的问题都不带个人感情色彩，也不具任何侵犯性。所有的来自受访人的回答和意见都会被如实地展示在作者的研究生学术论文当中，并保证只用于此研究论文。本次访谈严格遵循自愿参与和匿名保密原则。

1. 贵公司是哪一年开始在巴西投资的？

2. 在巴西的投资是长期的还是短期的？

3. 计划在巴西投资多长时间，或者说，多少年？

4. 中国与巴西有巨大的文化差异，并且距离遥远，为什么选择巴西进行投资？

5. 在投资期间，贵公司是否得到我国政府某些具体的支持？（比如财政上、技术上或法律上等等）

6. 我国政府是否在贵公司投资前期做出某些要求？（比如政治上的，或者资金上的等等）

7. 我国政府在贵公司投资巴西方面有何限制？

8. 贵公司是不是必须要在我国政府的引导下进行投资？或者说，投资决策是否受我国政府的影响？

9. 贵公司投资行为倾向于市场驱动、利润驱动还是资源与能源驱动或是其他？（可做单一动因或多种驱动因素）

10. 当前巴西政治的不稳定是否对贵公司的投资行为造成影响？如果是，有哪些影响？

11. 考虑到目前巴西政治的多种不确定性，贵公司对未来在巴西的投资做了哪些防范措施？

12. 在您看来，我国政府是否对巴西动荡的政局有所担忧？是否出台了相关防范措施的文件以提醒企业？

13. (开放性问题，自愿作答) 在您看来，国企与民企在对外投资中最大的差别是什么？

APPENDIX 2 — INTERVIEW QUESTIONS FOR COMPANIES (IN PORTUGUESE)

ENTREVISTA SOBRE INVESTIMENTOS CHINESES NO BRASIL

A aluna declara que a pesquisa possui caráter impessoal e seu resultado será divulgado sem associação com o entrevistado, na forma de uma dissertação de mestrado e artigos acadêmicos sobre o tema relacionado aos investimentos chineses no Brasil. A aluna também se compromete a divulgar o resultado na pesquisa sem alterar a essência das respostas.

QUESTÕES

1) Em qual ano a sua empresa começou a investir no Brasil?

2) É um investimento de longo prazo ou curto prazo?

3) É planejado por quanto tempo, ou seja, por quantos anos?

4) Por que decidiu a investir no Brasil, com essa distância longa, e cultura tão diferente?

5) Durante o período do investimento, sua empresa recebeu algum apoio tecnológico, judicial ou financeiro do governo chinês? (Se houver, pode descrever outras formas de apoio)

6) Quais exigências o governo chinês fez para sua empresa iniciar o investimento no Brasil?

7) Para sua empresa, tinham alguma restrição do governo chinês quando a investir no Brasil?

8) Sua empresa age de mercado-orientado, lucro-orientado, ou recursos/energia-orientado? (Se houver, pode descrever outros motivações)

9) Existe alguma regulamentação que o governo chinês impôs sobre a política de investimento no Brasil?

10) O cenário político atual do Brasil afeta o investimento já feito até o momento? Se sim, como?

11) Com a incerteza do quadro político brasileiro, quais precauções estão sendo tomadas pela empresa quanto aos futuros investimentos no Brasil?

12) Em sua opinião, o que o governo chinês está preocupado com o cenário político do Brasil?

13) (pergunta extra) Em sua opinião, qual é a maior diferença no investimento exterior estrangeiro entre empresa estatal e privada?