Paper to be presented at the EIBA conference, Valencia, December 2009

Outward Chinese FDI – OLI, LI or just L?

Abstract:

The recent wave of foreign direct investments from less developed nations, notably India and The Peoples Republic of China, has taken the world with some surprise. Indian wind turbine producers and Chinese multinationals in electronics operate in US and EU from partly or wholly owned subsidiaries. From an economic, as well as a business point of view, however, it should not take us by surprise but rather be an expected development. International economics would argue that as income disparity decreases there should be a broader common foundation for intra-industrial trade; and similarly comparative advantages are slowly ironed out as far Eastern growth rates keep beating Western rates. In relation to FDI the economic arguments are comprehensively put together in Dunning´s <u>*Investment Development Path*</u>*. The argument is that with increasing output per capita nations move from being net-receivers of FDI towards being net-suppliers – and finally net-investments even out around some equilibrium. For a quarter of a century China has shown an increasing trend in inwards FDI, and it is by no means surprising that she has now started – if at a quantitatively small scale – to be an FDI supplier at the world stage.*

Not only should we expect this to happen, we should also welcome it for precisely the same reasons that we should welcome increasing world <u>*trade*</u>*. If FDI is a more efficient way to handle foreign markets – combining comparative and competitive advantages – the global welfare gains are enhanced by substituting trade by direct investments. China is not the first nation to gain by international division of inputs – the finest historical example probably is Japan which in the 1970s shocked the West much like Chinese firms now do. It is time to learn from history.*

<u>The Chinese background</u>

China as a host country for international direct investments started in the 1880s, around the time when small and slightly backwards nations in West Europe, such as Denmark, received the first inwards FDI. American economist Remer spent a few decades travelling China in order to trace early FDIs, and issued his research in an impressive publication, Remer (1933/1968). Remer estimated FDI stocks in China in 1902, 1914 and 1931. Table 1 reflects his findings:

Table 1. Inward FDI stock in China, in total, and by investing nations. 1902, 1914 and 1931.

Investing nation/year	1902	1914	1931
Great Britain	33%	38%	37%
Japan	0%	14%	36%
Russia	31%	17%	8%
U.S.A.	3%	3%	6%
France	12%	11%	6%
Germany	21%	16%	3%
FDI stock in USD	Mill. 503	Mill. 1.084	Mill. 2.532

Source: Remer (1933/68), p. 69, p. 76.

The figures reflect the early amount and growth of FDI into China at a time when there were hardly any outward FDI from the country. They further reflect the quick rise of Japan as an expansionist power, and the decline of the German influence following dismantling of her international business position after World War 1. The Communist revolution in 1949 produced a sudden stop for further inward FDIs, and only after Deng Xiao Peng´s introduction of "four policies" in the late 1970s once more China opened for internationalisation. For a decade or so, internationalisation took the shape of trade, only to move towards more committing kinds of exchange, from joint ventures towards inwards FDI.

In recent years outward FDI from developing countries have come to the fore. Current research covers a number of countries, including the BRIC nations; works relating to Chinese FDI include Liu and Tian (2008), Cross and Voss (2008), Yiu et al. (2007), Buckley et al. (2007), while Kumar and Chadha (2009) have produced a comparative study on four Chinese and Indian multinationals in the steel industry. The tide of studies is rising quickly, and an increasing number of business aspects of LDC-MNC activity in the West are being scrutinised. In terms of impact the new phenomenon should be taken serious as around one seventh of all FDI now originate in developing countries, and with a clearly increasing trend.

Bellabona and Spigarelli (2007) summarise the orientation of Chinese FDI in a global perspective; they find that in Africa and South America Chinese outward FDI are directed towards natural resources, not least the oil and gas industry, while in Asia the direct investments are motivated by market access. In Europe the business activities are directed towards acquisition of patents and other knowledge. For instance in Denmark such business areas as environmental protection and biotechnology are targeted, while in Sweden it is ICT and electronics.

Much of this transition from inward towards a more mixed FDI picture can be related to Chinese policies of internationalisation. The policy has successfully been applied as a growth factor in Chinese economic development, as foreseen by Deng. Bellabona and Spigarelli (2007) track the explicit development in the management of outward FDI and identify five phases:

· following the initial turn, a case-by-case approval by authorities
· setting-up of more general rules
· emphasis on management of subsidiaries abroad
· general encouragement to undertake foreign (assembly) operations
· introduction of the *go global* strategy.

The “Go global” strategy has been actively in place since the year 2000. It has micro as well as macro objectives, including the acquisition of skills that are scarce or non-existent in China, including brands and trade-marks, build ability to serve foreign markets, and counterbalance the Chinese trade surplus which has in the better part of the 2000s impaired the exchange rate. In brief, the strategy must be seen as a major tool employed to speed up China´s transition to a highly developed (market?) economy.

<u>Changing FDI balances: IDP</u>

China has developed from being an (almost) exclusive importer of FDI towards a new position with a mixed pattern of outward and inward FDI, even if inward movements still dominate with a factor 10. In line with the OLI approach, John H. Dunning has developed the concept of the "Investment Development Path" (IDP) which basically reflects the opinion that poor nations with limited competences will host subsidiaries of international firms originating in more developed countries. As time goes on, so the argument, subsidiaries serve as transmitters of skills and know-how in management, marketing and other parts of the value chain. Depending on the absorptive capacity of the host country competences rub off on local business which gradually will build a basis for international expansion, be it in the shape of "born globals" or in agreement with the conventional phase wisdom of the Uppsala school.[1]

The transition from a backwards economy to a modern (market) economy is prompted by the changing balance of FDI. As local firms grow and develop into MNCs they find their place in the international competition, signalling that the country has advanced to a higher position in the international economy. Dunning (1978) and Dunning and Narula (1996) have argued in favour of a five-step development along the IDP:

- in stage 1 local firms are weak in terms of Ownership advantages and unable to manage outward investments. For a period the difference (Net Outward Investments) between inward and outward FDI grows and becomes increasingly negative.
- in stage 2 local firms pick up Ownership advantages and gradually develop the capacity to move operations across the border. Inward FDI still dominate, and NOI may still rise.
- stage 3 marks a turning point. While both inward and outward FDI increase, outward investments grow faster, and NOI becomes less negative. The country is sufficiently rich to build Location advantages beyond the supply of for instance natural (energy) resources.
- stage 4 begins when the nation becomes a net outward invester in terms of FDI, i. e. NOI becomes positive. Local firms interact with other international firms in an international business environment. In most cases, governments at this stage attempt to establish acceptable rules for MNC.
- stage 5 indicates that the NOI hovers between plus and minus in a kind of long-run equilibrium state. The nation and its multinational corporations are now fully integrated in the global economy.

[1] Evidence on the validity of the IDP is far from obvious; recently Goldstein and Pusterla have found support for the model by applying two estimation techniques on a comprehensive set of UN official data.

The IDP model recalls other attempts to interprete economic development as movements between stages of phases. It combines firm and national aspects in a dynamic perspective and thus covers wider than Rostow (1961) which attempted, on an anti-Marxist inspiration, to outline macro aspects of economic development. It may be seen as a supplement to the Uppsala model which offers a fixed framework for stages of the firm´s internationalisation. Pedersen (2005) has suggested that in a Chinese context the model can be applied in a politico-economic way that highlights the impact of economic policy. According to this research, China in the late 1930s had reached an IDP position similar to what was the case in the 1980s. In other words, the Maoist regime acted like a "cooler" that froze the economic development for 50 years. He similarly pointed out that something quite similar happened to Denmark, where the early 1930s had put Denmark into a "stage 3" position that was resumed during the 1970s – after the crisis, World War 2 and the post-war imperfections in trade and investments. Pedersen (2005) suggests that China takes a "stage 2" position – an assessment that may still be valid.

The IDP approach is based on John Dunning´s "eclectic paradigm" (the OLI theory). As the theory is by nature general, it would be reasonable to accept it in the case of Chinese FDI. Nevertheless, a number of scholars have suggested that specific Chinese, or broader: developing country, factors are in play and should be applied when analysing Chinese internationalisation. Unsurprisingly, arguments concerning the special status of Chinese (or, Eastern) FDI to a large extent originate in the region. One early example is Moon (2004) who introduced the notion that FDI may well have the intension not to exploit, but to acquire "Ownership advantages" (skills, competences). Thus the time perspective is introduced into the concept of FDI, and two traditional theories of firm internationalisation by implication introduced: the dynamic capabilities view of Teece (1997), and the resource dependency theory of Pfeffer & Salancik (1979).

The obvious links to established theories serve to raise the question if there is indeed "anything new under the sun" in terms of Eastern FDI – or the problem rests with the (static) eclectic paradigm. In other words, we may well have FDI without satisfying the three *necessary conditions* (O, L and I advantages) of the leading paradigm; we must satisfy ourselves with its limited coverage – or maybe accept that the concept of "alliance capitalism" (Dunning, 1995) suffices to protect the paradigm.

A second approach to the question whether a specific East Asian FDI theory is needed was taken by Mathews (2002) and developed in a number of subsequent articles. The very title of his book suggests a particular approach – “Dragon Multinationals” (Dragons remain a Chinese specialty). Like in Moon the basic assumption is that the eclectic paradigm does not deliver in the case of Far Eastern MNC. The reflection is that Chinese MNC by way of a high degree of leverage are highly exposed to financial risks, and that in consequence they – initially at least – rely on joint ventures and strategic partnerships. The OLI framework is substituted by a LLL framework: By way of *Linkages* Chinese MNC tap into international networks (of distributed value chains) forming strategic alliances or joint-ventures. What they offer is, in particular, cost efficiency inside the networks, while the network is used for exploitation and *Learning* in order to assess new competencies. This, finally, leads to the *Leverage* and financial exposition mentioned above. In comparison with OLI, the LLL framework substitutes asset exploitation with asset exploration.

To finalise the argumentation it should be noted that initial opportunities to join international networks and value chains originate when foreign multinationals in the first place outsource value activities to China in order to reap cost advantages. By supplying foreign MNC with cost effective services or products, local companies start a learning process, and dependent of their absorptive capacity may develop into more equal partnerships. It may be doubted if the LLL approach does really add up to *new theory*; it is based on ad hoc observations originating in a specific region. A competing approach would be a combination of cultural and economic features: the Konfucian tradition allows for high absorptive capacity and in combination with comparative - *not* competitive – advantages this allows for an international strategy based on cost leadership.[2]

Amighini et al. (2007) list a number of empirical studies which have attempted to verify the existence of “home country advantages” (comparative advantages, or L factors) that are well known from IB theory and industrial economics. The studies cover a number of developing countries and emphasise low costs as the most frequently mentioned advantage. David Ricardo (1821) jumps to mind. Similarly, empirical studies have observed that managerial ability to place the LDC firm in an international network is an important globalisation driver. Absorption of late-comers in international networks is far from new, Johansson and Vahlne (1990).

[2] Dunning and Narula (1996) in the discussion of the IDP put some emphasis on human capital as a development agent.

Even if the validity of IDP is to some extent disputed in the IB literature, the very dynamics of the approach does yield the advantage that the international investment process is seen in a broader context and with a time perspective. The learning processes that take place almost immediately upon the location of a foreign subsidiary by way of numerous linkage effects will spill over on the conduct of local business and in turn on its internationalisation. The interaction between foreign and local business is the crucial point, even if the road taken by necessity will diverge from firm to firm. Even if IDP was established on the OLI foundation, this link may not be mandatory. The explanation of IDP stylised facts may be even more “eclectic” than OLI.

<u>The FDI transformation of China</u>

Deng Xiao Peng´s break with the maoist tradition (1949-1975) has had far reaching impact on China. After the great leap forward around 1960 and the culture revolution ten years later, physical as well as human capital had suffered devastating losses. The new ideas, captured in the slogan that the *colour of the cat does not matter, as long as it catches mice*, genuinely reformed society. And among the cats the Chinese soon found foreign companies involved in first joint ventures, and later even more committed forms of establishment on Chinese soil.

Western – and other – MNC introduced new methods to local business, much in the spirit of the IDP theory. Local companies, first in special zones, and later nation-wide participated in joint ventures offering local knowledge. But for a decade or so they also legitimised the foreign operations, as wholly owned subsidiaries were only legalised later. The Chinese firms were eager to learn, and the konfucian “ideology” greatly facilitated the learning process. Illiteracy was next to eliminated, and contact with foreigners propelled a new wish to be open and to develop the country in new ways.

According to Marxist ideology, only physical production adds value. Anybody who has experienced a Chinese company before, say, 2002 will know that the ideological implication was labour intensive production plants with a bare minimum of logistic, marketing and other supportive operations. The value added chain was extremely focused on sheer physical production. By implication, most of the business school disciplines that had been established in the West since the early decades of the XX century were practically unknown: finance, accounting, business law etc.

In this environment MNCs from abroad came as a challenge; but a challenge which was rather quickly faced. From the mid-1990s business educations were initiated, and the consequence has been more fully blown value adding configurations of Chinese firms. The absorptive capacity of a konfucian society was once again demonstrated.

The learning process was not only spurred by direct investments, but increasingly by outsourcing of business functions to Chinese firms. The consequences were parallel: the Chinese managers had to learn how to handle quality requests concerning OEM production etc. The rapid internationalisation in terms of direct investments and trade upgraded Chinese business and gave it a tremendous momentum, supported by official policies. In brief, foreign firms and most of all multinational corporations initiated a massive transfer of skills and knowledge. The most important of them probably are:

Ideology: the basics of business strategy and practices have been transferred. The customer is king, also in China, and value no longer is determined by the contents of “socially necessary labour”, but by use-value of the products and services. Entrepreneurship, in consequence, shoots up everywhere in China, and there is now solid evidence for Chinese “born globals”. It seems that the capitalist spirit has penetrated deep and wide and created a new upper and middle class which cherish the fruits (i. e. profits) of the spirit, even to the extent that political limitations are accepted as a social cost.

Organisation: Another side of the coin has been the change from state ownership towards private ownership. Unlike (large) state enterprises of the past, the privatised sector has few social obligations such as pensions to former employees.[3] The organisation becomes flexible, and companies are spurred on to establish foreign subsidiaries (for a number of reasons, covered above). Configuration of value adding activities is an important new subject in the Peoples´ Republic.

[3] It must not be forgotten, however, that between 80% and 90% of OFDI from China are still undertaken by large, state-run companies.

Management: Chinese companies increasingly target international markets, and even in the home market they face more competition than earlier, when state ownership and (at least regional) monopolies proved an innovation impeding cocktail. Management was in the hands of party officials, and the management system was extremely stiff and hierarchical. Labour was present in abundance and productivity low. This is all history; Chinese firms face the same challenges as Western companies in terms of flexibility and efficiency. In consequence, recruiting and promotion of the staff has become important, and the labour market in China has become flexible, or even volatile.

Technology: In spite of massive inwards FDI and impressively high savings ratios the Chinese economy is still labour intensive. In accordance with neo-classical economics remuneration of capital is high and real wages low. The overall FDI pattern has followed standard theoretical prescriptions – they have been massively inwards. Technical progress has to a large extent been embodied, meaning that physical capital investments have been followed up by education of workers and (particularly) management. New history shows that China has been well equipped with absorptive talent; the official policy of giving preferences to foreign companies that bring in new technology and exportable products has further propelled the technological U-turn in China. It suffices to take a look at the increasing number of Western companies with Research and Development activities in the country.

In the late 1970s Deng Xiao Peng introduced the “four modernisations”; the advent of modern management, organisation, technology and business ideology may serve as the four newest modernisations – quite in the spirit of Peng. Authorities and firms have responded to the modern business times and opened for an era of unparalleled growth in wealth (even if somewhat unevenly distributed). The FDI lead modernisation has grossly contributed to prepare China not only for growth, but also for a new deal in terms of internationalisation. The wave of outward Chinese FDI, or for that matter Chinese export goods, had not been feasible without.

Applying an IDP approach, what happened was that foreign business activity in China made local companies ready for internationalisation. They acquired up-date technology, one way or another, which would serve foreign markets. They learned modern management, and not least marketing principles.[4] They – at least to some extent – substituted former ideology with a new one, and they saw the importance of being close to markets they would serve, or to sources they would tap. Briefly, the importance of internationalising the organisation became obvious.

All this was supported by Chinese official policy. The screening procedure of foreign firms that wanted to settle in China was governed by the potential for Chinese development. At the same time local business was gradually liberalised and allowed to act on commercial terms; and rapid economic growth spilled over in an abundance of savings and cheap capital for investments (even if the Chinese banking system may still be a major source of macro economic inefficiency). Although OFDI out of China make up a far less share of GDP than figures for other BRIC nations, the potential may well be the largest. Generally, it is fair to talk of a rapid but not explosive development due to "controlled liberalisation".

(From a historical perspective, China of 1977 provides some similarity with Japan, 1867. A wake-up call followed by firm, goal-directed actions supported by a business system which mixed traditional values with new innovations in management, marketing, corporate governance and technology. After 38 years of aggressive development, the imperial Japanese navy destroyed the imperial Russian navy and after another 38 years it felt powerful enough to challenge the US Navy.)

Chinese OFDI (and the West)

Chinese FDI into Western countries is becoming a hot topic. Still, it is more of a potential than an actual topic. Figures reveal that FDI outflows amounted to USD 5.5 bn. in 2004, USD 12.3 bn. in 2005, USD 17.6 bn. in 2006, and USD 24.8 bn. in 2007. Preliminary the figure for 2008 is estimated to USD 40.7 bn., and is likely to increase further in 2009 (in spite of the financial "crisis" [5]and a world wide general drop in FDI).[6] At the end of 2006 as well as 2007, however, the share of outward Chinese FDI in North-America, Europe and Oceania were 3%, 4% and 2% respectively. The corresponding Brasilian figure is 80%, with Europe alone counting for 70%. Even if figures

---

[4] It may be disputed whether the distance between China and Western nations, in a Hofstede perspective, forms an obstacle to "learning". Not least the fifth dimension – the konfucian spirit – may here attract some interest. Or, maybe Hofstede does not matter…..

[5] Official UN statistic, compiled in Goldstein and Pusterla (2008).

[6] Ken Davies, While global FDI falls, China´s outward FDI doubles. Columbia FDI Perspectives, No. 5, May 2009.

may be blurred to some extent by channelling FDI via tax havens, “developed” countries received around one tenth of the Chinese direct investments.

China, like the other three BRIC countries, had a much larger share of world GDP than of global FDI stock. Compared to China´s GDP, FDI stock amounts to roughly 3%, while the corresponding figure for Brazil and Russia are 10% and 20%. Still there is wide-spread agreement that the Chinese *potential* for future FDI growth is substantial, also in comparison with India, Russia and Brazil.

Much of the “China fever and China fear”, Wei and Lyles (2008), is related to a modest number of spectacular take-overs, such as Lenovo´s acquisition of IBM´s pc division, or TCL Corporation´s merger with French Thomson. It would be reasonable to remind scholars and practitioners that Stephen Hymer´s term, Liability of Foreignness, faces both directions, Hymer (1960/1976). Like Western MNCs find it difficult to handle cultural and other barriers when doing business in China, so do Chinese multinationals face serious management problems in the West.[7]

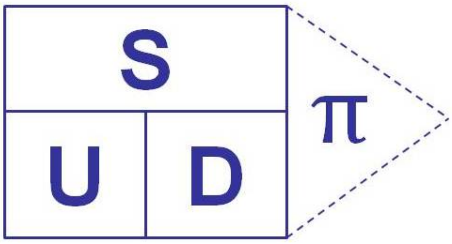
The fear of Chinese multinationals probably misses this, and is pretty much an automatic reaction which was earlier seen when Japanese MNCs conquered significant market shares in the automotive and consumer electronic industries in the 1970s. It was noticeable even when Mexican companies set up operations on American soil following the NAFTA agreement. Since Chinese companies place 85% of their overseas direct investments in South-East Asia – in many cases in order to source cheap labour in for instance Vietnam – the fear of “cheap” Chinese product may be far fetched.

In a basic SWOT framework, the task for Chinese MNC going to the West is much like a “WO” situation. There are several weak spots, and there are a lot of opportunities to harvest. Theoretical responses such as Moon or Matthews agree to this description. Matthews´ solution was to introduce the LLL framework, and Moon´s to invert the O and thus approach the resource-dependency position. But Chinese companies differ in several respects, and it may be difficult to pick a common denominator for all. *Figure 1* depicts an abbreviated value added chain with only three functional

[7] One out of many examples would be the mutual distrust between American and Chinese employees in Lenovo after taking over IBMs pc division. The problems were partly solved by asking “the Americans to speak slower, and the Chinese to speak out”, Newman (2007).

areas, “upstream activities”, “downstream activities” and “support activities”. Since Chinese MNC have not been particular successful in the West, the “profit nose” is merely stipulated.

Figure 1. A compact value added chain



Two main groups of internationally operating Chinese companies may be distinguished: the ones that have worked as OEM suppliers or similarly have adapted to Western standards in production. They will be lacking in downstream knowledge, since their competences are upstream. This type of firms would be most likely to find complementary resources by joining an international network with access to Western markets.

A second type of companies would be those that have served the home market with workable solutions. In the West they face large segments of more advanced customers, but probably also segments with customer demands similar to the Chinese. By focusing on the “down market” in the West, they may create a business platform, and then “grow with the market”. This rationale is in principle similar to the arguments of Clayton Christensen (1997) who adds dynamics to markets by contrasting slow growing customer functions with fast-moving technological developments on the supply side. A given technological solution “automataically” *grows upwards* towards the high end market.

Clayton Christensen´s model, thus, may be seen as a development model at the industry level. Chinese firms of this kind will naturally have a more solid understanding of markets and marketing, but may still be trapped by market challenges, management challenges and strategic challenges in highly developed Western markets, as well as by political challenges (anti-dumping, quotas and hidden trade barriers). In short, the Liability of Foreignness!

Conclusion

Directly or indirectly the West may be facing a potential threat from Chinese and other BRIC multinationals. Directly, by Chinese multinationals which invest in Western countries; and indirectly due to an increasing global sourcing competition. To the extent that Chinese growth and development continues, and factor prices smooth out, in all probability the advent of Chinese FDI will imply a more efficient world economy and gains by the division of labour.

In order to understand the business of Chinese internationalisation a number of approaches have been introduced. The most straightforward one is to stick to the OLI framework and accept that "O" may embrace innate talent for operating in networks and exploiting network advantages by finding ones place in the international value chain (or, division of labour). *"OLI"* survives, if modified.

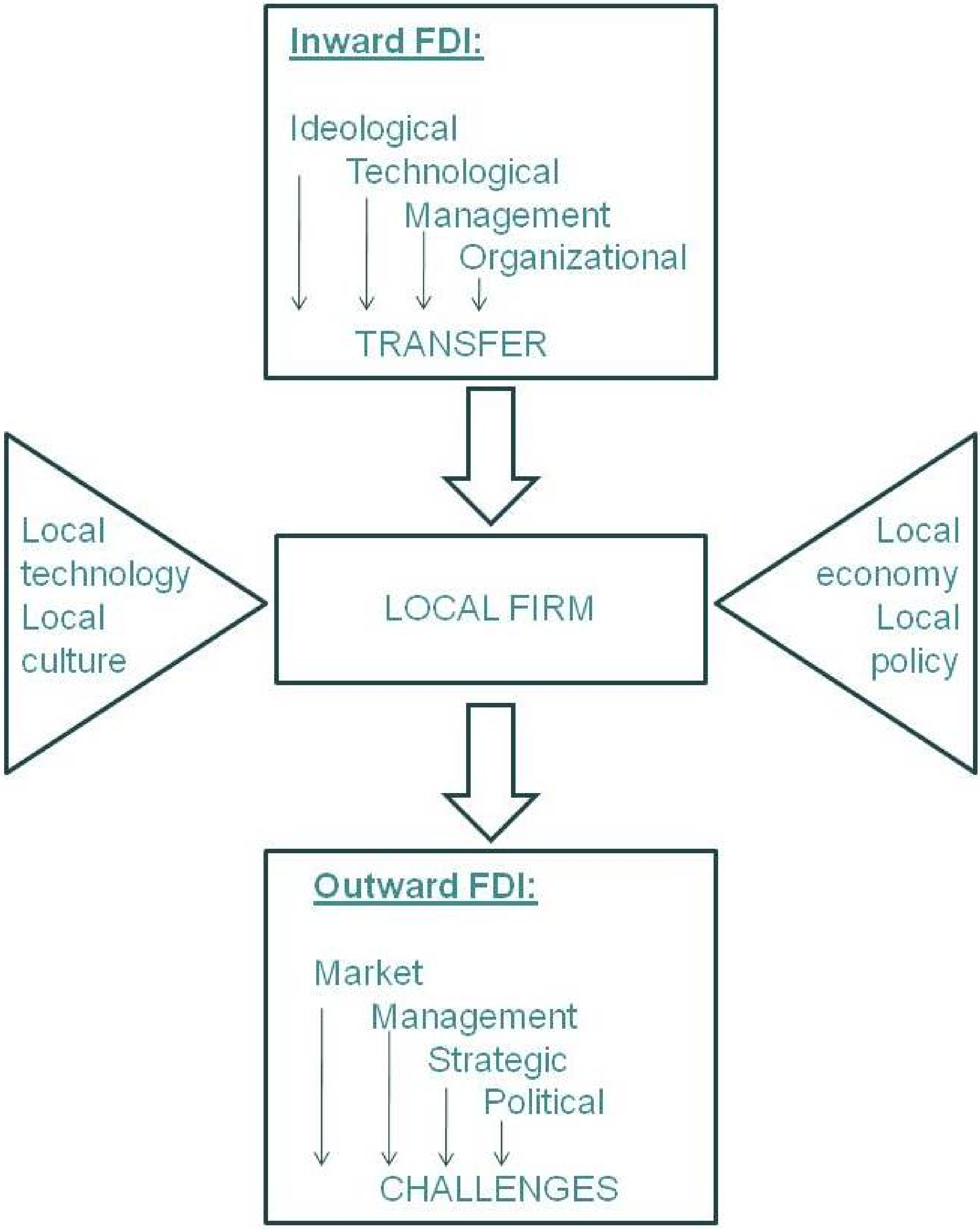
A second approach is to invert the "O" and substitute exploitation of competitive advantage by exploration of opportunities for acquiring competitive strength. This is the stand taken by Moon, who may be characterised as a proponent for a *"LI"* solution. L indicates where the O is located, and I the tool for acquisition.

By comparison, some scholars such as Mathews seemingly argue that internalisation is not really in play. Even if none of the three Ls in "LLL" indicate "location advantages", all that is left of OLI is in fact the *"L"*. In this way scholars have used the advent of Chinese multinationals to produce widely different frameworks to cope with the new fact.

We have argued in favour of Pfeffer and Salancik´s time-honoured theory of resource dependency which in its own way is a causality-based version of the OLI framework. In all brevity, resource dependency argues that "O" shall be defined (gap analysis), next it must be found – "L", and finally accessed/acquired – "I". Indeed, an "*O→L→I*" model!

Finally the IDP model has proved quite useful in understanding the complex and time consuming processes that have produced OFDI. The factors that are taken into consideration appear relevant, and the logic of the process spanning from inward FDI to absorption and learning and further to outward FDI underpins the theory. *Figure 2* is a "business approach" to the IDP model, as it presents most of the points that have been raised in the literature on China and FDI.

Figure 2. IDP as IB logic



References

Amighi, A. et al. (2007). The Rise of Multinationals from emerging Countries. A Review of the Literature. WP Series – N. 04/09. Universitá del Piemonte Orientale.

Bellabona, P. and F. Spigarelli (2007). Moving from Open Door to *Go Global*: China goes on the World Stage. *Int. Journal Chinese Culture an Management*, Vol. 1, No. 1, pp. 93-107.

Buckley, P. J. et al. 82007). The Determinants of Chinese Outward Foreign Direct Investment, *Journal of International Business Studies*, **38**, pp. 499-518.

Cross, A. R. and H. Voss (2008). Chinese direct investment in the United Kingdom: An assessment of motivations and competitiveness. Presented at Universität Bremen, Feb. 2008.

Dunning, J. H. (1981). *International Production and the Multinational Enterprise.* Allen and Unwin.

Dunning, J. H. (1995). Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism.*Journal of International Business Studies*, 26, pp. 461-91.

Dunning, J. H. and R. Narula (1996). *Foreign Direct Investments and Governments, Catalysts for Economic Restructuring*. Routledge.

Goldstein, A. and F. Pusterla (2008). Emerging Economies´ Multinationals: General Features and Specificities of the Brazilian and Chinese Cases. Paper presented at the "Emerging Multinationals´Conference at the Copenhagen Business School, Oct. 9-10, 2008.

Hymer, S. (1960/1976). *The International Operations of National Firms*. MIT Press.

Johansson, J. And J-E. Vahlne (1990). The Mechanism of Internationalization. *International Marketing Review*, 7/4, pp. 11-24.

Kumar, N. and A. Chadha (2009). India´s outward foreign direct investments in steel industry in a Chinese comparative perspective. *Industrial and Corporate Change*, 18/2, pp. 249-267.

Liu, L. and Y. Tan (2008). The internationalisation of Chinese enterprises: the analysis of the UK case. *International Journal of Technology and Globalization*, 4/1, pp. 87-102.

Mathews, J. A. (2002). *Dragon Multinationals – A new Model for Global Growth*. Oxford University Press.

Moon, H-C (2004). A formal modelling of the imbalance theory to explain two directions of foreign direct investment. *Journal of International Business and Economy*, **5**, pp. 117-32.

Newman, R. (2007). Lenovo´s Great Leap: Despite cultural conflicts, the Chinese-IBM computer merger shows signs of success. *US News and World Report*, 143/13, pp. 48-50.

Pedersen, B. T. (2005). *FDI in Denmark and China – A comparable Study*. Master Thesis, Aarhus School of Business.

Pfeffer, J. and G. R. Salancik (1978). *The External Control of Organizations: A Resource Dependence Perspective.* Harper Row.

Remer, C. F. (1933/1968). *Foreign Investments in China.* Howard Fertig.

Rostow, W. W. (1961). *The stages of economic growth – a non-communist manifesto.* Cambridge University Press.

Teece et al. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18/7, pp. 509-533.

Wei, He and M. A. Lyles (2008). China´s outward foreign direct investment. *Business Horizons*, Nov-Dec., pp. 485-491.

Yiu, D. W. et al. (2007). International Venturing by Emerging Economy Firms: the Effects of Firm Capabilities, Home Country Networks, and Corporate Entrepreneurship. *Journal of International Business Studies*, **38**, pp. 519-540.