

# China Rules

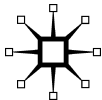
## Globalization and Political Transformation

Edited by

Ilan Alon, Julian Chang, Marc Fetscherin, Christoph Lattemann  
and John R. McIntyre

palgrave  
macmillan

Ilan Alon, Julian Chang, Marc Fetscherin, Christoph Lattemann and John R. McIntyre,  
China Rules, published 2009, reproduced with permission of Palgrave Macmillan  
<http://www.palgrave.com/products/title.aspx?PID=335763>



Selection and editorial content © Ilan Alon, Julian Chang, Marc Fetscherin,  
Christoph Lattemann and John R. McIntyre 2009  
Individual chapters © contributors 2009  
Foreword © Tarun Khanna 2009

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No portion of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, Saffron House, 6-10 Kirby Street, London EC1N 8TS.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified as the authors of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2009 by  
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States, the United Kingdom, Europe and other countries.

ISBN: 978-0-230-57625-4 hardback

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

10 9 8 7 6 5 4 3 2 1  
18 17 16 15 14 13 12 11 10 09

Printed and bound in Great Britain by  
CPI Antony Rowe, Chippenham and Eastbourne

# Contents

<i>List of Tables</i>	vii
<i>List of Figures and Graphs</i>	viii
<i>Foreword</i>	ix
<i>Acknowledgments</i>	xi
<i>Notes on Contributors</i>	xiv
Introduction	1
<i>Ilan Alon, Julian Chang, Marc Fetscherin, Christoph Lattemann, and John R. McIntyre</i>	
<b>Part I Political Economy and Governance of China</b>	
1 A Contextual View of Chinese Enterprise Internationalization <i>Francis Schortgen</i>	15
2 The Effects of the Institutional Environment on the Internationalization of Chinese Firms <i>Gloria L. Ge and Daniel Z. Ding</i>	46
3 Racing with the Chinese Dragons <i>Peter J. Williamson and Eden Yin</i>	69
4 The Corporatization of the Chinese Oil and Petrochemical Industries: Evolution without Revolution <i>Olivier P. Roche</i>	101
<b>Part II International Trade and Investment</b>	
5 An Assessment of the Effects of Institutional Change on Chinese Outward Direct Investment Activity <i>Hinrich Voss, Peter J. Buckley, and Adam R. Cross</i>	135
6 FDI and China's Global Trade Competitiveness: Evidence from Measuring Sino-EU15 Intra-Industry Trade <i>William X. Wei</i>	166
7 Chasing the Dragon: The Emerging EU–China Relationship and Its Impact on Business <i>Louise Curran</i>	192

vi *Contents*

- 8 China's New Approach to ODI in Africa: A Model for a  
Government Seeking Natural Resources 216  
*Amir Shoham and Mosi Rosenboim*

**Part III Industry Cases**

- 9 Natural Resources: Government Support for  
Chinese Companies' Global Hunt 233  
*May Hongmei Gao*
- 10 Telecommunications: Primacy of Power and  
Regulatory Battles for Promoting National Standards 253  
*Wei Liang*
- 11 Automotives and Electronics: What Explains Export  
Success in Chinese Firms? 274  
*Ganeshan Wignaraja and Rosechin Olfindo*
- 12 Final Reflections 295  
*Ilan Alon, Julian Chang, Marc Fetscherin,  
Christoph Lattemann, and John R. McIntyre*

- Index* 299

# Tables

1.1	China's cross-border M&A purchases	19
1.2	China's FDI trend	20
2.1	China's outward FDI, 1979–2006	49
3.1	Traditional sources of global advantage	73
3.2	Competitive advantages of the Chinese dragons in tomorrow's global market	87
4.1	The Chinese oil industry market structure and major players (pre-IPO: 1999)	118
4.2	Strengths and weaknesses	119
4.3	Governance and company fundamentals	121
4.4	Capital expenditures	122
5.1	Key developments in the evolution of China's OFDI regime	145
6.1	Position of China in world merchandise trade, 2003	169
6.2	Import and export value of FIEs	170
6.3	EU15 FDI in China: Broad sectoral breakdown	175
6.4	EU15 trade with China: Trade in services and in goods to total trade (1999–2002)	182
6.5	EU15 trade with China by broad product group	183
6.6	Total exports by FIEs from China to the EU15	184
6.7	Total imports by FIEs from the EU15 to China	185
6.8	Grubel and Lloyd indices and contribution of IIT and NT growth to the growth in total trade between the EU and China (1993–2003)	187
8.1	Count model dependent variable ODI to Africa	223
11.1	Selected microeconomic studies on export performance	277
11.2	t-Tests of differences of means of exporting and nonexporting firms	283
11.3	Tobit estimates of firm-level export performance in China	286
11.A1	Sample profile	291
11.A2	Descriptive statistics	292
11.A3(a)	Correlation matrix of variables for electronics sample	293
11.A3(b)	Correlation matrix of variables for the automotives sample	293
11.A4	Definition of variable	294

# Figures and Graphs

## Figures

5.1	Institutional actors in China's OFDI framework	143
6.1	Realized FDI inflows to China (US \$ billions) and annual growth rate	167
6.2	Growth ratio of China's international trade (1986–2002)	168
6.3	EU FDI inflows in China compared with other major investors (except HongKong). Realized values, million US \$	172
6.4	EU15 FDI to China 1986–2002 (100 million US \$)	173
6.5	EU FDI to China (percentage to national total)	177
6.6	Realized FDI value per project until the end of 2002	178
6.7	EU15 merchandise trade with China 1992–2003	182
6.8	EU25 merchandise trade with China	182
8.1	Model of ODI by a government seeking natural resources	222
8.2	The three main factors shaping future ODI	227
9.1	3-Pillar structure of Chinese economy since 2001	241

## Graphs

8.1	China's outward foreign direct investment (1979–2006)	217
8.2	Imports from Africa/total imports	219
8.3	China's ODI to Africa	220
8.4	Number of planned FDI project by destination (2006)	220



# Foreword

I was grateful to have been asked to keynote the conference, *China Goes Global*, held by a consortium of universities at the Harvard Kennedy School in 2008. While events regarding China and India, or the so-called BRIC countries, are increasingly numerous, it is rare to find a collection of a large number of serious scholars and observers dedicated to understanding any one of these countries in the depth that this event did.

On my initial perusing of the draft papers at the conference stage, my thoughts gravitated to two issues, one on which China is a leader and one on which it is a laggard. The issues refer, first, to the resurgence of the state, and, second, to the emasculated role of civil society in China.

Why are these of interest to a conference focused on China going global? That is an easy question to answer for the first topic, most of the outbound investment from China is in the form of entities controlled by the state, including conventional state-owned-enterprises but also the newer sovereign wealth funds. It is easier to understand both antecedents and consequences of the globalization of state-controlled entities with a deeper appreciation of the political economy of the Chinese state, as a number of papers and presentations at the conference did skillfully. And the rest of the world can learn about some aspects of the management of state-owned enterprises, particularly at a time that even market-based economies are being forced by rampant financial distress to accept a greater role for the state.

As an example, consider the energy industry. Increasingly, China, Russia, the Middle East, and other oil-producing regions are ensuring that a greater percentage of the world's oil resources are in the hands of state-owned enterprises, muscling aside the Western "majors" (BP, Amoco, Total, Exxon). Even joint ventures between state-owned enterprises are becoming more common—for example, consider a Kuwaiti investment in a US \$5 billion refinery in Guangdong province, a Saudi crude oil facility on Hainan Island, and a potential Saudi Aramco-Sinopec joint venture. Clearly understanding the motivations of state-owned enterprises is key.<sup>1</sup>

What about civil society? A vibrant civic consciousness exists in China, of that there can be no doubt. The response by Chinese citizens to provide aid to victims of the Chengdu earthquake in Sichuan province



in May 2008 provided recent evidence. But civic consciousness has not been allowed to develop unfettered in China. It is true that there are several hopeful changes—for example, media is free to discuss most economic issues—but several more are feasible. Ultimately, a robust civil society will ensure a fuller consensus among the Chinese people for all manner of issues, including the nature and extent to which China remains open to the outside world.

Social scientists learn from variation, and inter-country experience comparisons are an important source of such variation. Consider the China-India comparison, a subject of recent interest to me.<sup>2</sup> The strength of the Chinese state is brought starkly into relief by comparing it to India's; and the weakness of China's civil society is likewise highlighted by comparing it to the efflorescence of India's. It was refreshing to comparative reasoning reflected in the conference papers, presentations and discussions.

Of course, these issues are merely illustrative, certainly not the only ones of great salience. The assembled papers provide information—descriptive, clinical information as well as information more in the vein of hypothesis testing—on a range of topics concerning why, how, and where Chinese firms have gone global, and to what effect.

It gives me pleasure to commend this collection to any serious observer of China, academic, policymaker or manager.

TARUN KHANNA  
Harvard Business School  
Harvard University  
Cambridge, MA  
January 2009

## Notes

1. Rawi Abdelal, Ayesha Khan, and Tarun Khanna. Where oil-rich nations are placing their bets. *Harvard Business Review*, 86 (9) (September 2008): 119–128.
2. Tarun Khanna. *Billions of Entrepreneurs: How China and India Are Reshaping Their Futures and Yours*. Harvard Business School Press, 2008.

# Acknowledgments

The project *China Goes Global* ([www.chinagoesglobal.org](http://www.chinagoesglobal.org)), from which this edited volume has emerged, has benefited greatly from the efforts of various subject experts from across the world, and institutions in Europe, Asia and America.

We thank the following organizations for funding, sponsoring or hosting individuals or activities relating to the conference:

Alexander von Humboldt Foundation  
Rollins College, Rollins China Center and Crummer Graduate School  
of Business  
The Georgia Tech Center for International Business Education and  
Research  
University of Potsdam  
Harvard University, Harvard Kennedy School, Asia Programs

At Rollins College, we are particularly thankful to the institutional support provided by President Lewis Duncan, Provost Roger Casey, Dean Craig McAllaster, and Dean Laurie Joyner, as well as Lei Guo, a student assistant at the China Center. Georgia Tech wants to commend James Hoadley, CIBER program manager, and Francis Ulgado, CIBER Center Faculty Director as well as the team of dedicated staff and student assistants. In the University of Potsdam, Stefan Stieglitz was instrumental in setting up our online system. Finally, Susan Valaskovich and her amazing team of volunteers from the Harvard Kennedy School helped make the conference vision a reality.

All the chapters in our book were double-blind refereed, and we are thankful for the reviewers who put numerous hours of their time in improving the paper submissions and quality. Among the reviewers are:

Sayeed Alam, East West University  
Rangga Almahendra, Vienna University of Economics and Business  
Administration  
Syed Tariq Anwar, West Texas A&M University  
Elisa Barbieri, University of Ferrara  
Dong Bian, EM Lyon Business School  
Richard W. Carney, NTU  
S.V. Char, Life University

xii *Acknowledgments*

Bill Chen, University of the West  
Ji Chen, University of Colorado Denver  
Yang Chen, University of Bristol  
Fang Lee Cooke, University of Manchester  
James J. Cordeiro, SUNY Brockport  
Louise Curran, Toulouse Business School  
Penelope Ferguson DeJong, St. Cloud State University  
John R. Dilyard, St. Francis College  
Daniel Z. Ding, City University of Hong Kong  
Qiang Ding, The University of Waikato  
Joseph P.H. Fan, The Chinese University of Hong Kong  
Carlyle Farrell, Ryerson University  
Hongmei Gao, Kennesaw State University  
Kawal Gill, University of Delhi  
Jia He, Chinese University of Hong Kong  
Nir Kshetri, The University of North Carolina—Greensboro  
H. Xiaohua Lin, Ryerson University  
Sarena S. Lin, McKinsey & Company  
Hong Liu, Manchester Business School  
Di Fan, Monash University  
Wei Liang, Monterey Institute of International Studies  
Rosechin Tomes Olfindo, Asian Development Bank  
Anshul Pachouri, Jaypee Business School/Jaypee Institute of  
Information Technology  
Penelope B Prime, Mercer University  
David Pritchard, University at Buffalo  
Olivier Roche, McGill University  
Mosi Rosenboim, Sapir College  
William J. Rothwell, PennState College  
Stefan Stieglitz, Potsdam University  
John Sae, Swinburne University of Technology  
Margot Schueller, GIGA Institute of Asian Studies  
Yun Schüler-Zhou, GIGA Institute of Asian Studies  
Amir Shoham, The College of Management  
Phillip Stalley, DePaul University  
Dylan Sutherland, Nottingham University  
Stephen Cecil Thomas, University of Colorado Denver  
Willem Hendrik Thorbecke, Research Institute of Economy, Trade  
and Industry  
Francis M Ulgado, Georgia Institute of Technology  
Yagang Wang, Saint Louis University

Yue Wang, University of New South Wales  
William Yehua Dennis Wie, University of Utah  
Xiaojun Wie, Grant MacEwan College  
Verner Worm, Copenhagen Business School  
Bin Xie, Tsinghua University  
Xie Qunyong, University of Agder  
Eden Yin, Cambridge University  
Mingrui Zhang, University of Illinois at Urbana-Champaign  
Hongxin Zhao, Saint Louis University  
Xiu Ying Zheng, Caterpillar Inc.

# Contributors

**Dr. Ilan Alon** is Rollins College Petters Chair of International Business and Executive Director of Rollins China Center, and Harvard Kennedy School Visiting Scholar. He has published 20 books (3 authored), numerous peer-reviewed article, chapters, conference papers, and trade articles. His four recent books on China include *Chinese Culture, Organizational Behavior and International Business Management* (Greenwood, 2003), *Chinese Economic Transition and International Marketing Strategy* (Greenwood, 2003), and *Business and Management Education in China: Transition, Pedagogy and Training* (World Scientific, 2005), *The Globalization of Chinese Enterprises* (2008). Dr. Alon won various awards such as the prestigious Chinese Marketing Award and Rollins McKean Award for his research on China. He has taught courses in top Chinese MBA programs including Shanghai Jiao Tong University, Fudan University, and China Europe International Business School (CEIBS).

**Dr. Peter J. Buckley** is Professor of International Business and Director of the Centre for International Business, University of Leeds, and Visiting Professor at the University of Reading. He has published 22 books in English and one in German, and many of these have been translated into other languages. He has edited 17 further books. He has published over 140 refereed articles in European, American and Japanese journals including seventeen contributions to the *Journal of International Business Studies* (JIBS). His work is very heavily cited—the Social Science Citation Index lists over 1500 citations, Google Scholar lists over 2600 citations. He was elected a Fellow of AIB in 1985 for “outstanding achievements in international business.” He is also a Fellow of the British Academy of Management (BAM), a Fellow of the Royal Society of Arts (RSA) and a Fellow of the European International Business Academy (EIBA). In December 1998 he was made an Honorary Professor at the University of International Business and Economics, Beijing, China. He was President at the Academy of International Business 2002–2004. Professor Buckley was awarded the Viipuri Prize for his “Outstanding record in the field of International Business research” (September 2006). In August 2008 he received the Academy of Management International Management Division, Booz Allen Hamilton Strategy and Business Eminent Scholar in Management Prize.

**Dr. Julian Chang** is Executive Director of Asia Programs at Harvard University's John F. Kennedy School of Government's Ash Institute for Democratic Governance and Innovation. He received his Ph.D. from the Department of Government at Harvard University. He spent five years at Stanford prior to joining the Harvard Kennedy School teaching in East Asian Studies and building academic research and training organizations. His publications include several volumes on Taiwan's trade and politics as well as work on Sino-Russian relations. His publications include the edited books, *Economic Reform and Cross-Strait Relations: Taiwan and China in the WTO* and *Presidential Politics in Taiwan: The Administration of Chen Shui-bian*. He is also working on another edited volume which will focus on the Taiwan problem in northeast Asian security relations.

**Dr. Louise Curran** is lecturer in International Business in Toulouse Business School in France. She received her Ph.D. from Manchester Metropolitan University in 1995 and a Masters in International Relations from the University of Kent at Canterbury in 2002. She spent 12 years in the European Commission in Brussels working on industrial and trade policy before taking leave of absence to return to academia. Her research interests include textiles trade, developing country trade and the impact of trade liberalization on development. She has published over 30 articles, conference papers and research reports.

**Dr. Adam R. Cross** is Senior Lecturer in International Business, Centre for International Business (CIBUL) and Director of the Centre for Chinese Business and Development (CCBD), both at the University of Leeds. Adam has published 2 edited books, and has contributed to over 30 journal articles, academic papers and book chapters on international business. His research concentrates mainly on cross-border licensing, intellectual property as a business asset, outward direct investment from emerging markets and market entry mode analysis, with China providing an important country focus for much of this work. Adam teaches courses on international business and intellectual capital management on a number of undergraduate and MBA programmes, both in the UK and overseas, and has taught on and organized numerous executive training events. Adam has provided consultancy support to UK Trade and Investment and export promotion advice to a number of British companies.

**Dr. Daniel Z. Ding** is an Associate Professor of the Department of Marketing, City University of Hong Kong. He received his Ph.D. in International Business and Comparative Management from Anderson

Graduate School of Management at UCLA. His research interests are in the areas of multinational corporate strategy, international strategic alliance, foreign direct investment in China, and international HRM. He has published papers in a wide range of journals, including *Journal of International Market*, *Asia Pacific Journal of Management*, *International Studies of Management and Organization*, *Human Resource Management*, *International Journal of Human Resource Management*, *Journal of Global Marketing*, *Journal of Organizational Behavior*, and *Journal of Teaching in International Business*.

**Dr. Marc Fetscherin** is an Assistant Professor of the Crummer Graduate School of Business and the International Business Department at Rollins College. He is also an Associate of the Rollins China Center as well as a Harvard Kennedy School Visiting Scholar. He received his Ph.D. from the University of Bern, Switzerland. He holds two masters degree, one from the University of Lausanne, Hautes Etudes Commerciales (HEC), Switzerland and the London School of Economics (LSE), UK. He was a Visiting Professor at the East China University of Science and Technology (ECUST). He has published numerous peer-reviewed article, book chapters, and conference papers. He has won two best paper awards and five teaching awards. He is reviewer for various journals and member of various professional associations.

**Dr. Hongmei Gao**, also known as May, is Assistant Professor in the Department of Communication and the Asian Studies Program Coordinator at Kennesaw State University. Her research interests include the globalization processes of Chinese and American corporations, intercultural learning and adaptation, race and diversity issues, and global occupational mobility. With a B.A. in English from Shanghai International Studies University earned in 1989, she worked as TV anchorwoman at China Anhui Television Station, and as a PR specialist in the University of Science and Technology of China. She received her M.A. in Mass Communication from Brigham Young University in 2000 and her Ph.D. in Speech Communication from the University of South Florida in 2005. She currently conducts a research project with 20 American and Chinese multinational corporations, including UPS, Home Depot, Duracell, the Sports Authority, Inductotherm, Lenovo, and Haier. She has published in journals of communication and Asian studies.

**Dr. Gloria L. Ge** is a Senior Lecturer in the Department of Management and International Business, the University of Auckland, New Zealand. Before she joined the University of Auckland Business School, Gloria

had worked in Australia for almost six years. Dr. Ge was visiting Assistant Professor at the City University of Hong Kong in 2006. Her work appeared in, among others, *Asia Pacific Journal of Management*, *Human Resource Management*, *Journal of Global Marketing*, and *International Journal of Human Resource Management*. Her current research focuses on the internationalization and innovation capabilities of Chinese firms.

**Dr. Tarun Khanna** is the Jorge Paulo Lemann Professor at the Harvard Business School, where he has studied companies and organizations in emerging markets worldwide since 1993. His book *Billions of Entrepreneurs: How China and India are Reshaping their Futures, and Yours*, was published in 2008 by Harvard Business Press, and is being translated into several languages. In 2007, he was elected a Young Global Leader (under 40) by the World Economic Forum. He serves on several corporate boards and volunteers time with nonprofits, especially in Asia.

**Dr. Christoph Lattemann** is Professor for Corporate Governance and E-Commerce at the University of Potsdam, Visiting Professor at the Hasso Plattner Institute for Software Engineering and a research fellow at the Harvard University. He has taught courses in top MBA programs such as Copenhagen Business School and Università Cattolica del Sacro Cuore. Formerly he held senior positions in project management in the financial industry for over four years. He has published about 100 publications in journals, books and in conference proceedings. The latest articles are about information management and systems, international management, corporate governance, and corporate social responsibility. He is member of various review boards, professional associations and management boards.

**Dr. Wei Liang** is an Assistant Professor of the Graduate School of International Policy Studies at Monterey Institute of International Studies. She received her Ph.D. from University of Southern California. She was a postdoctoral fellow at Berkeley Roundtable on International Economy (BRIE), UC Berkeley. She has published journal articles and book chapters on China's trade negotiation, economic liberalization and its participation in global governance. Her most recent publications include "China: Globalization and the Emergence of a New Status Quo Power?" *Asia Perspective*, Spring 2008 and "New Africa Policy: China's Quest for Oil and Influence" in Sujian Guo and Jean-Marc Blanchard eds., *Harmonious World and China's New Foreign Policy* (Rowman & Littlefield-Lesington, 2008).

**Dr. John R. McIntyre** has been Director of the Georgia Tech Center for International Business Education and Research (CIBER), a national

center of excellence, since 1993 and a full professor of international business management and international relations with joint appointments in the College of Management and the Sam Nunn School of International Affairs of the Georgia Institute of Technology, Atlanta, Georgia. He received his graduate education at McGill, Strasbourg and Northeastern Universities, obtaining his Ph.D. at the University of Georgia. Published in over 80 journals, reviews, and book chapters. He is author and coeditor of ten books, including *Business and Management Education in China: Transition, Pedagogy and Training* and *Globalization of Chinese Enterprises*. Recipient of numerous competitive grants to further the internationalization of business education and research. Extensive corporate consulting experience; expert in the aluminum industry.

**Dr. Rosechin T. Ofindo** is a consultant at the Asian Development Bank where she works on firm-level economic research and trade policy. Previously, she was an Economic Development Specialist in the Philippines' National Economic and Development Authority, a research assistant in University of the Philippines (School of Economics), and an intern at United Nations Economic and Social Commission for Asia and the Pacific in Bangkok. She holds a Master in Public Administration in International Development from Harvard University (Harvard Kennedy School) and a Master of Arts in Economics from University of Philippines.

**Dr. Olivier P. Roche** is an assistant professor at Salisbury University and associate academic director of the corporate governance program at McGill University where he received his Ph.D. Prior to his academic career, he was an investment officer at the World Bank in Washington D.C. and Tokyo for almost a decade. As well, he has worked as a director at the British investment bank Schroders, and at the Dutch bank ABN AMRO Asia Securities, Ltd. in Hong Kong. In these positions he was involved in the IPOs of the three oil companies (Petrochina, Sinopec and CNOOC). In addition to his background in Finance, he is also a graduate of Georgetown law school and a licensed attorney, admitted to the bar in New York State.

**Dr. Mosi Rosenboim** is a faculty member in the Department of Applied Economics, Sapir Collage, Israel, and is Course Coordinator of Financial Management for M.B.A. at the Open University, Israel. Mosi is also adjunct lecturer at the Guilford Glazer School of Business and Management, Ben-Gurion University of the Negev, Israel, and has a great deal of teaching experience in finance, investment, securities

analysis and financial management in various M.B.A and B.A. programs. Mosi's Ph.D. thesis, titled "Optimal Incentive Policy for Attracting Foreign Direct Investment", uses tools from finance theory and auction theory to determine government's optimal economic policy for attracting FDI. Mosi won an Open University grant for his research "Are rounded stock index prices a psychological barrier?". His current research interests are behavioral finance and economics, foreign direct investment, and economic policy.

**Dr. Francis Schortgen** is an Assistant Professor of Political Science and International Studies at Mount Union College. He received his Ph.D. from Miami University (OH). He also holds an M.B.A. from the National University of Singapore as well as an M.A. in Asian Studies from the Center for the Pacific Rim, University of San Francisco. Originally from the Grand Duchy of Luxembourg, Dr. Schortgen has extensive international experience and is fluent in four languages. He has previously worked as a business consultant in Seoul, South Korea.

**Dr. Amir Shoham** holds degrees in economics and Business Administration from the Ben-Gurion University. He is currently on the faculty of the Department of Business Administration, College of Management Israel, Department of Economics, Sapir Academic College Israel and an Adjunct Professor at Rutgers International EMBA. His research interests include International Economics, International management, International trade and International Finance. Recent work of his has been published in *Journal of International Business Studies*, *Global Economy Journal*, *International Journal of Business and Economics*, and *Peace Economics, Peace Science and Public Policy*.

**Dr. Hinrich Voss** is a Roberts Academic Research Fellow on "Future Energies and International Business" at the Centre for International Business, University of Leeds (CIBUL). His current research is organized around the questions: how the business strategies of multinational enterprises from developed and developing countries are affected by climate change policies; how they adapt their international business configuration and; how they help to distribute clean technologies globally. He is also conducting research on the internationalization and the international competitiveness of mainland Chinese companies. This research incorporates the influence of China's institutions on the international investment behavior of Chinese firms.

**Dr. William X. Wei** is Chair, Asia Pacific Management Program and faculty member in International Business at MacEwan School of

Business. He has lectured in Beijing for five years and has held visiting professorship in several Chinese universities. He received his Ph.D. from the University of Limerick, Ireland and M.B.A and M.A. in Germany. He has also been a post-doctoral visiting fellow in Richard Ivey Business School, University of Western Ontario. He is a founding member of International Association for Chinese Management Research. His research interests include various aspects of culture and international business with a focus on foreign direct investment. He has published over 20 publications ranging from Journal Articles, Book, Book Chapters, Conference Proceedings and Presentations.

**Dr. Ganeshan Wignaraja** is a Principal Economist at the Asian Development Bank. He was Head of Competitiveness and SME Strategy at Maxwell Stamp PLC, Chief Programme Officer at the Commonwealth Secretariat, a Visiting Fellow at the United Nations Institute for New Technologies, a Research Officer at Oxford University, and an Economist at the OECD. His books include: *Pan-Asian Integration* (Palgrave Macmillan, forthcoming), *Competitiveness Strategy in Developing Countries* (Routledge, 2003), *Trade Liberalization in Sri Lanka* (Macmillan, 1998), *Technology and Enterprise Development* (Macmillan, 1994), and *The Postwar Evolution of Development Thinking* (Macmillan, 1991). He has a D.Phil in Economics from Oxford University.

**Dr. Peter J. Williamson** is Professor of International Management at Judge Business School, University of Cambridge. He has been actively involved with business and research in China since 1983. He has held professorships at London Business School, Harvard Business School and INSEAD. His latest book, *Dragons at Your Door: How Chinese Cost Innovation is Disrupting Global Competition*, was published by Harvard Business School Press in 2007. His other recent books include: *Winning in Asia: Strategies for Competing in the New Millennium* (2004) and *From Global to Metanational: How Companies Win in the Knowledge Economy* (2001). His article in the MIT Sloan Management Review "Is Your Innovation Process Global?" received a 2005 Sloan-Pricewaterhouse Coopers Award honoring articles that have contributed most to the enhancement of management practice. Formerly with The Boston Consulting Group, he serves on the boards of several companies. He holds a Ph.D. in Business Economics from Harvard University.

**Dr. Eden Yin** is a university lecturer in Marketing at the Judge Business School, and a fellow of St. Edmund's College at the University of Cambridge, UK. He received his Ph.D. from the Marshall School of

Business, University of Southern California, Los Angeles. Dr. Yin's principal research interests are within new product growth in high-tech industries, internationalization strategies for firms from emerging economies, and managing art and cultural products. His work has appeared in *Marketing Science*, *Journal of Marketing Research*, *Management International Review* and others. Dr. Yin is the recipient of a number of awards, which include the ERIM Award for Impact on Management Practice (2004), Excellence in Global Marketing Research Award (2006), and ISBM Business Marketing Doctoral Support Award. He is a member of the American Marketing Association, Academy of International Business, INFORMS, and the Academy of Marketing Science. Dr. Yin has taught executive courses in a number of Chinese M.B.A programs such as Shanghai Jiao Tong University, Nanjing University, and Southwest University of Finance and Economics, and in a few other countries such as the UK, Australia, Finland, Argentina and Brazil.

# Introduction

*Ilan Alon, Julian Chang, Marc Fetscherin,  
Christoph Lattemann, and John R. McIntyre*

The literature on the globalization of Chinese enterprises is gradually coming of age. A few books and landmark articles have been produced in recent years (examples include Nolan & Zhang, 2002; Matheus, 2002; Zeng & Williamson, 2004; Child & Rodrigues, 2005; Buckley, et al., 2007; Alon & McIntyre, 2008). But numerous research gaps remain. This book represents an effort to address research questions that have emerged in this growing important literature. The extant literature, particularly in the West, reflects a demand for a fuller, more operational and testable understanding of changing Chinese institutions, resource capabilities, and evolving structural forms, in the context of a rapidly restructuring global economy.

Because of the systemic features of the Chinese political economy the Chinese approach to firm internationalization yields new and often unexplored patterns of behavior. Tarun Khanna noted in the Preface to this volume that a distinguishing hallmark of Chinese outbound investment is that it is primarily undertaken by state-controlled enterprises, organically tied into the Chinese political economy. Market-based industrial organization has not been considered the final solution to issues of Chinese firm internationalization. This may reflect lessons that reach beyond the scope of our work at a time when the state seems to be stepping in to rescue capitalism in leading postindustrial economies.

Undoubtedly, China's opening to the world economy has impacted on its domestic political economy. But the "puzzles" of China's economic development, identified by Shaomin Li, continue to yield a complex pattern of outbound internationalization (Li, 2008, pp. xiv–xvi). This volume seeks answers to these dilemmas and to shed light on the evolving "rules of the game" that govern Chinese outbound firm internationalization in a challenging context of political transformation.

This book has its origins in a research conference held at the Harvard Kennedy School, Harvard University, in October 2008. Scholars from over 20 countries (including Australia, Bangladesh, Brazil, Canada, China, Denmark, the United Kingdom, France, Germany, Hong Kong China, India, Israel, Japan, Norway, Puerto Rico, Singapore, Spain, Switzerland, the Netherlands, and the United States) and connected to Asian and management research centers, universities, multilateral development institutions, gathered in Cambridge, Massachusetts, on October 8, 2008 to reflect on these topics. Coorganized by the Harvard Kennedy School's Asia Programs, the Crummer Graduate School of Business, and Rollins China Center, the Georgia Institute of Technology's Center for International Business Education and Research, and the Potsdam University's Chair for Corporate Governance and E-Commerce, with support from the Humboldt Foundation of Germany, among others, the best research papers presented and discussed at the conference were subsequently selected through a competitive referee process for inclusion here.

This research volume is organized along three main axes or parts, moving deductively from the general environment to specific landmark case studies:

1. Political economy and governance
2. International trade and investment patterns
3. Industry cases.

## **Political economy and governance**

The development of the Chinese multinational corporations (MNC) is a new feature of globalization. In the context of the globalization of Chinese MNC, the first part deals with the political economy and governance of China. The contemporary discourse of Chinese enterprise internationalization will be discussed from different theoretical perspectives. These show how the internationalization of Chinese enterprises will reshape global competition, and how the new corporate governance structures impact on the long-term performance of state-owned enterprises (SOEs) in China.

In Chapter 1, which functions as a kind of overview chapter, Francis Schortgen provides insights on the environmental context of internationalizing Chinese firms, focusing on the political economy. The combination of officially sanctioned support for a so-called "Go-Out" (*zou chu qu*) strategy, "Deep Reform" (*shenhua gaige*) commitment, and