

Corporate ownership and the pattern of Chinese outward FDI

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This paper is a sequel of a previous research paper which provided an empirical analysis of host country determinants of Chinese outward FDI for the period 2003 to 2008, using data disaggregated by country and industry. There we assessed the relevance of market-seeking, resource-seeking and strategic asset seeking motivations suggested by the theory on FDI determinants. Further research on this topic has explored the issue of whether corporate ownership influences the pattern of Chinese outward FDI, i.e. whether different ownership structures of Chinese firms investing abroad (state-owned vs. independent firms) are likely to result in different foreign location choices of those firms. To do so, we rely on a newly constructed variable describing ownership of Chinese firms that invested abroad since 2003 (with data updated until 2011). Very recently, two studies have investigated the pattern of outward internationalisation of private enterprises in China (Liang et al., 2011) and the determinants of Chinese state-owned FDI in different groups of recipient countries (Hurst, 2011). However, the question of whether ownership might affect the way location choices are made has not yet been tackled by the literature. A first research objective of this paper is to map Chinese outward FDI according to the ownership of investing firms, an issue which is pretty interesting in times when the massive expansion of Chinese firms abroad, matched with incomplete research about investing firms, has often led to a paranoia among recipient countries about the ultimate goals of investors. Although state-owned firms are expected to outnumber independent enterprises investing abroad, a detailed description of the sector and geographic distribution of Chinese foreign direct investment by type of investing firms will refine our knowledge about the patterns of outward expansion of different types of firms and will therefore improve understanding of this issue. The second research objective of the paper is to explore whether the countries chosen a location for FDI by state-owned Chinese firms have different characteristics from those chosen by independent Chinese enterprises. Although it is often taken for granted that state-owned firms might not necessarily look for profit maximisation when investing abroad, but also pursue government objectives, an informed analysis of the countries has still to be performed.

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