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RETROSPECTIVE

A retrospective and agenda for future research on Chinese outward foreign direct investment

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Abstract

Our original 2007 *Journal of International Business Studies* article, "The determinants of Chinese Outward Foreign Direct Investment", was the first theoretically based empirical analysis of the phenomenon. It utilised internalisation theory to explain the internationalisation of Chinese state-owned enterprises. This paper showed that we had failed to ask sufficiently challenging questions about the effects of home country institutions on outward foreign direct investment (OFDI). This Retrospective builds on the extensive subsequent research to show the importance of context in constructing satisfactory theoretical explanations of OFDI. Building on these foundations, we propose research challenges for the next decade on Chinese OFDI that transcend the Chinese context and have wider theoretical applicability. Examining alternative forms of social and economic organisation allows the creation of special theories of foreign direct investment nested within the general theory. Following such a strategy would enable International Business research to make a contribution across the social sciences.

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INTRODUCTION

Until the early 2000s, research on Chinese outward foreign direct investment (OFDI) was a rarity. The world's attention was firmly focused on foreign multinational enterprise (MNE) strategy within China, inward foreign direct investment (FDI) into China – and the implications of its acceleration for other developing countries and the global economy (Luo, 1998; McNaughton, 1998). Such early works on Chinese OFDI, which did exist, were limited to describing the context within which Chinese firms had started to internationalise, and where they were venturing (Ye, 1992; Zhan, 1995). These studies were valuable in highlighting the influence of domestic Chinese institutions on OFDI and suggesting reasons for Chinese firms' internationalisation, and thereby laid an important foundation for our paper on the determinants of Chinese OFDI (Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007a). Building on these early studies, we employed internalisation theory to develop the first theoretically based empirical analysis of Chinese OFDI. The key features of our 2007 study can be summarised as follows:

- It was the first theoretically based empirical analysis of Chinese OFDI.
- The design used internalisation theory, and from this developed a proposition on imperfections in China's domestic (capital) market.
- It employed a comprehensive project-level dataset (sadly, exclusive use to us).
- The context was that of Chinese economic development at the turn of the twentieth and the twenty-first centuries and with a focus on state-owned enterprises (SOEs).

In the 10 years since our article, China has developed from being a marginal direct foreign investor to one of the world's three most important source countries and, in 2016, was transformed from a net inward to a net outward investing economy (UNCTAD, 2017). The nature and magnitude of Chinese OFDI today is fundamentally different compared to that prevailing 10 years ago. In 1986, China accounted for 0.1% of global OFDI stock. This share rose to 0.48% by the end of our study period (2001) and reached 4.9%, or US$1,281bn, in 2016 (UNCTAD, 2017) (see Figure 1). We set out below why this has significant implications for international business research as well as for host economies and policy-makers.

A SCHEMATIC OVERVIEW OF THE 2007 ARTICLE

In our 2007 article (Buckley et al., 2007a), we examined Chinese OFDI over the period, 1984–2001 – a time when it could be "Regarded as being state-owned" (Buckley et al., 2007a: 500). The institutional constraints imposed by the Chinese government, via the state's OFDI approval mechanisms, effectively prohibited private Chinese firms from internationalising (Luo, Xue, & Han, 2010; Voss, Buckley, & Cross, 2010). The paper therefore necessarily focused on a specific group of internationalising corporations – SOEs – which had received scant attention in academic research, other than as constituting the pool of obligatory joint venture partners facing foreign manufacturing investors in China. As the first empirical investigation for China of the standard model of international business (IB) and FDI, a model largely established on developed economy data, our research design needed to be true to the received theory of the time. We covered three key motives for FDI: market seeking, resource seeking and

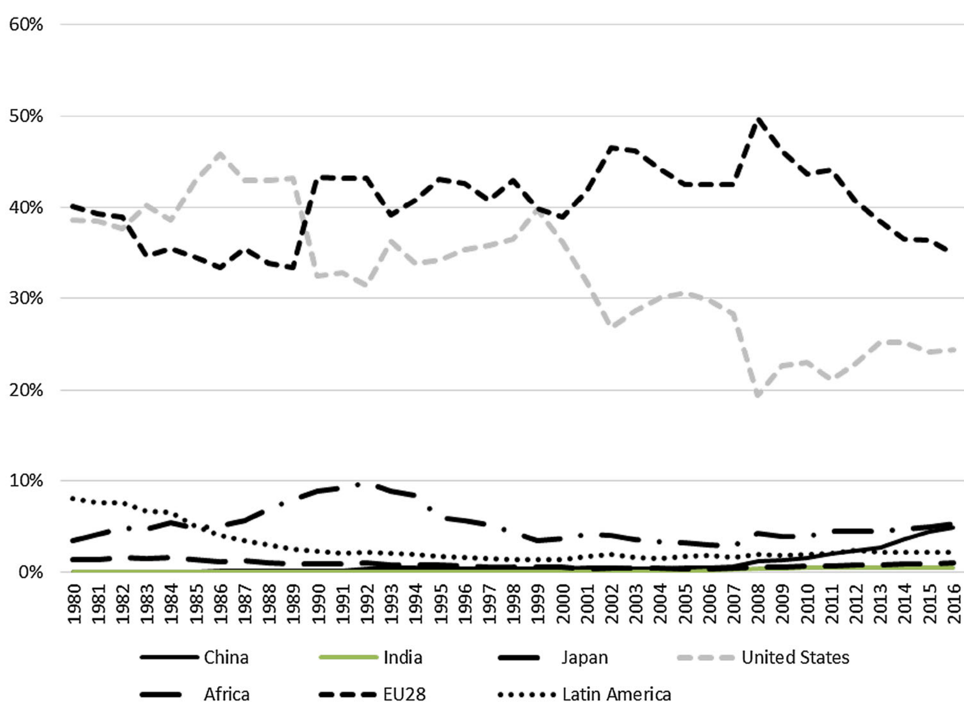

Figure 1 Outward FDI stock, 1980–2016 (% of world total). *Source*: UNCTAD (2017).

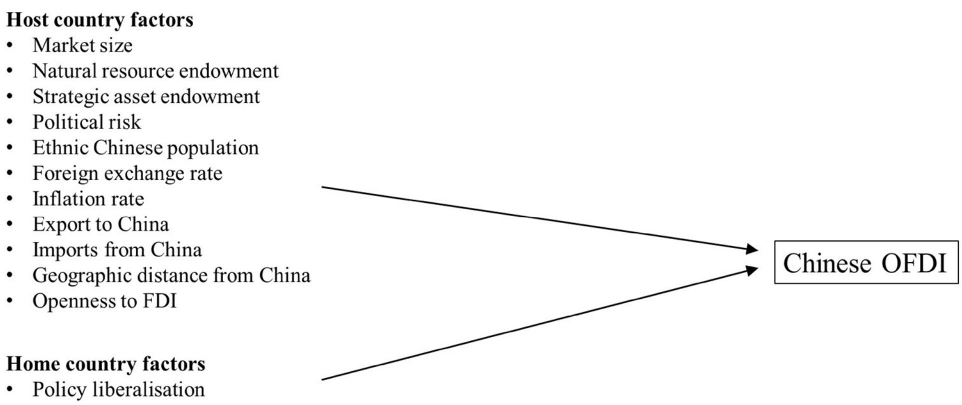

Figure 2 Empirical model, Buckley et al. (2007a).

strategic asset seeking, judging that, for the low-wage Chinese economy before the turn of the millennium, efficiency-seeking strategies were not relevant.

Three theoretical approaches were employed in the paper: (1) Internalisation theory (Buckley & Casson, 1976) in which a 'special theory' is invoked for home country capital market imperfections. As our research setting differed profoundly from the bulk of the extant literature, we recognised that there were contextual factors that we could not address directly, meaning a "special" explanation was required for the phenomenon under study. We did not start our investigation with the proposition that Chinese (state-owned) firms had privileged access to capital at long-term rates below the equilibrium rate – because of the existence of 'internal banks' within state-owned groups – but we soon arrived at this as a conclusion. (2) Conventional wisdom at the time was to seek hidden 'ownership advantages' within Chinese MNEs that compensated for their presumed deficiencies in respect of technology, management capabilities, and their lack of knowledge of overseas markets with which to negotiate the liability of foreignness. Prime theoretical candidates here included an ability to manage bureaucracy and regulation, and an ability to manage low-wage workforces and associated organisational flexibility. (3) Institutional factors at home were surmised to encourage Chinese (state-owned) OFDI, including governmental policy support (relating initially to support given to export promotion efforts), national imperatives to secure supplies of natural resources, and possibly strategic asset acquisition overseas. There was also a suggestion in the original article that securing political alliances and influence may have been motives as well. We did not emphasise OFDI as a mechanism for capital flight.

The paper contained a remarkable twelve hypotheses, the logic being that – given the originality of the investigation – all were considered experimental variables in their own right. As the original paper was a first foray into the determinants of Chinese OFDI, none of these variables were considered true 'control variables'. Relationships, however well established elsewhere, were in contention. The full roll-call of hypotheses covered market-seeking, natural resource-seeking, and asset-seeking motives, exposure to political risk, cultural proximity to China, domestic policy change (liberalisation), exchange rate and inflation (to cover the financial character of FDI), imports to and exports from China, geographical distance, and openness of the host county to FDI (see Figure 2).

We split the sample (a) over time, to investigate any underlying structural changes in the model resulting from possible wide-ranging changes in relationships and the effects of policy changes; and (b) into OECD versus non-OECD host countries, to test for differential effects by level of development in the host country.

FINDINGS AND CONTRIBUTIONS TO NEW RESEARCH STREAMS

Our research findings have informed distinct research streams origin of which can be traced back to key findings and inferences. The paper stimulated researchers to take a fresh look at the determinants of OFDI and at, in particular, the role of home country's institutions. This included the conjecture that firms might assess host-country risk idiosyncratically, on the basis of deep-seated home country contextual differences. And, our findings also drew attention to the distinctive characteristics of the governance of emerging market MNEs in comparison with advanced economy MNEs, together with the impact of host country's institutions on OFDI. In this way, the host countries of choice tell us something about the nature of the investors, and of the investing economy.

The main findings of our research were that, for Chinese OFDI (see also the "Appendix"):

- The market-seeking motive is supported
- The resource-seeking motive is supported
- The strategic asset-seeking motive is not supported
- Public policy changes (liberalisation) have a positive influence on OFDI
- Cultural proximity to China exercises a positive influence on OFDI
- Chinese OFDI exhibits a perverse positive response to high levels of host country's political risk.

The "Perverse" Risk Variable – A Surprise

Subsequent research on the foreign investment context of Chinese MNEs has supported our finding that Chinese MNEs are less risk averse than their western counterparts (Kolstad & Wiig, 2012; Quer, Claver, & Rienda, 2012). This difference in Chinese investors' attitude towards political risk can be attributed to a number of factors. First, Chinese MNEs (primarily SOEs) benefited from fewer financial constraints on OFDI, and the State Administration of Foreign Exchange (SAFE) was charged with the control and authorisation of all FDI. SAFE operated a system under which the minimum requirements of the scale and financial security of the investment was set at a high threshold, particularly in the early years. The preference given to SOEs created, in effect, an imperfect domestic capital market which conferred a specific financial advantage on them (Voss et al., 2010). Special institutions at home, such as the government's policy direction and financial support, had the potential to lead to unconventional location choices by Chinese MNEs, as our analysis demonstrated. Added to this is the argument that large and rapidly growing Chinese domestic markets enabled SOEs, which often occupied a dominant market position and had access to cheap state finance, to generate the liquid funds to invest abroad. Relevant here were the China Development Bank and the Export–Import Bank of China, which were committed to providing the best possible service to help Chinese firms invest overseas (Buckley et al., 2007a; Rui & Yip, 2008). Such privileges reduce the commercial and financial risks of OFDI, mitigate institutional distance, and subsidise the use of less profitable technology. Second, Chinese investors appeared to be attracted towards risky environments when and where strong bilateral political relations existed between China and the host country, since political ties may reduce potential risk (Amighini, Rabellotti, & Sanfilippo, 2013; Li, Meyer, Zhang, & Ding, 2017). Third, Chinese investors were attracted to the short-term economic rents that arise in risky host countries. Moreover, Chinese MNEs also exhibit indifference towards the institutional conditions in host countries because of their experience of operating at home and in other developing countries with poor governance structures (Buckley et al., 2007a; Quer et al., 2012). Finally, the effect of the "Investment Catalogue" (examined below) may skew the pattern of outward investment towards economies of importance to the Chinese government and its central plan, e.g., reflecting Chinese policy priorities, thereby depressing, or reversing, the conventional findings of studies on the behaviour of advanced economy foreign investors.

The Policy Variable: Important but Unsurprising

The distinct roles of institutional factors and policy changes are often, erroneously, conflated in applied research. In our 2007 paper, we employed a usage of the term "institution" that we felt was particularly appropriate to China, a country where the rule of law, institutions and policies were evolving rapidly. In an advanced market economy, we would argue, a clear separation between institutions – which we define as slow to change – and policies, which we define as typically fast to change, is possible. Our definition of policy was that it should be under the control of government, and by this we meant the central Chinese government (an assumption we would now challenge on the grounds that the context has changed). Therefore we invoked the substratum of policies in the form of laws, regulations and other written interventions, which are a subset of formal institutions. But most of all, we believed that in China, within the period under study, policy and effective institutional change was also possible through exhortation. North's definition of formal institutions as the written “rules of the game” or “the humanly devised constraints that structure human interaction” (North, 1990: 3) employs the “pure” sense of institutions as restrictions. When institutional restrictions are relaxed (or changed), it is possible to label this a policy change. Such circumstances apply to the Open Door Policy (of 1978) and to the government-led ‘go global’ (Zou Chu Qu) initiative, which we noted as beginning in 1999. The Open Door Policy heralded a range of policy liberalisations relevant to internationalisation. The profound suasive impact of Deng Xiaoping’s South China tour in 1992, and the impetus this gave to the sum of policy innovations, cumulated in the go global policy initiative. We gave most weight to the South China tour as a change of such importance as to qualify as being a policy change in the Northerian sense of institutional change (North, 1990). Our paper therefore represented perhaps one of the earliest empirical investigations into the impact of policy change in the IB research area. International business policy is undergoing a renaissance within the field of IB research – a field that has slid into subordination to narrow theoretical and empirical questions such as “existence” (the “existence of the MNE”), international MNE organisation, internationalisation trajectories, and market entry modes. The stance that a government takes with regard to its international business policy exerts a continuing effect on firms’ FDI behaviour, i.e., in the steady state. On the assumption of top-down policymaking, when this policy stance changes, firms adapt their FDI behaviour (Torres, Clegg, & Varum, 2016). China was, for us in the 2007 paper, the perfect test bed for scientific investigation, not only of the standard model, but also of the influence of policy. Given that China was on a strategic liberalisation path following the Open Door Policy, it is perhaps unsurprising that the ensuing Chinese governmental policy changes exercised a profound effect on the amount, direction and nature of Chinese OFDI. The entire Chinese economy was re-engineered using a policy predicated upon inward FDI. Subsequent research (for example, Kafouros & Wang, 2015) has amplified this result and put government policy at centre stage, not only as a topic of research in China, but more widely for its potential generalisability. The Chinese example demonstrates the traction that policy intervention can, in certain circumstances, exert upon economic growth. This is one of the biggest research questions of today, and China will surely continue to be a leading laboratory for researchers in this regard.

The 2007 paper’s findings on policy contributed to the theme in our original paper – and to the theme of this Retrospective – on the relevance of research on a special theory in relation to the general theory, and the idea that special theories may be nested within the general. The claims for “Chinese exceptionalism” – that certain parameters only apply in China – in explaining the distinctiveness of Chinese FDI, are far better interpreted as the concatenation of a special set of circumstances, at a particular point in time. A good example of a special theoretical argument applicable to China is that the relationships between SOEs, “private” firms, and the government is central to the ongoing development of Chinese OFDI. The use of FDI as a cover for capital flight is growing and is not unconnected with the use of special purpose vehicles, investment in tax havens and foreign real estate (Buckley, Sutherland, Voss, & El-Gohari, 2015; Pei, 2016). The shifts in Chinese governmental policies are attempts to align Chinese OFDI with central government objectives and to restrain ‘illicit’ export of capital from China, some of which was the result of the pursuit of personal and family interests (Pei, 2016). Deeper theoretical understanding of the mechanisms within these contextual circumstances will be necessary in order to reconcile the special approaches with general theory. This points towards an especially rich research agenda for the study of international business policy.

The Impact of the Domestic Institutional Framework

The high degree of institutional isomorphism between the advanced economies – economies that at the time of our 2007 paper dominated outward (and inward) FDI in both theoretical and empirical regards – meant that questions on the impact of institutions had been under-researched in the international sphere. Prior to Buckley et al. (2007a) research on the determinants, structure and impact of OFDI largely focused on the Triad economies of North America, Western Europe and Japan. These economies are market-driven and their businesses are perceived as operating autonomously from the government. Considerations of how home country institutions might influence the internationalisation of its enterprises thus focused on economic variables, captured in the literature as internationalisation ‘push’ variables (Andersen, 1993). On those occasions when institutional factors were acknowledged (e.g., Wells, 1983), they related mainly to regulatory constraints that diminished market access and development in the home market. The Chinese context has highlighted, however, that the home country context can impact directly and profoundly upon internationalisation. China has also awakened research interest in whether the advanced economies, notwithstanding long-standing perceptions, are truly quite as market-driven as they have conventionally been perceived. In our discussion within this Retrospective, we afford especial weight to the institutional dimension. This is because it is this dimension, in all its complexity, that explains why, to this date, it is arduous to apply general theory to Chinese OFDI. Although 10 years have passed since our 2007 paper, China's institutional idiosyncrasies remain, and this means that if we are to explain, and to predict, Chinese OFDI then we must have recourse to theory of a special nature. That is not to say "exceptional", because China is on a spectrum, as are all economies, in terms of institutional idiosyncrasy. However, the effect on OFDI of the progression of China to a market economy cannot be understood without the context.

OFDI by Chinese entities was prohibited until 1978. The economy was inwardly focused and the country pursued an autarkic system. Deng Xiaoping's Open Door Policy and the subsequent initiative of economic reform changed all this. Just as with other reform measures in China, the reform of the outward investment regime has been gradual and incremental. Over the following 20 years innovations included the creation of a 'pioneer Chinese MNE', namely the China International Trust Investment Corporation (CITIC) (Zhang, 2003). Its mission was to explore international markets and report back to the Chinese administration, and to learn from the tentative decentralisation and liberalisation of the OFDI decision. Such institutional reform initiatives culminated in the launch of the 'Go Global' policy initiated in 1999 to encourage Chinese firms to internationalise, form globally competitive businesses and to secure their place amongst the world's leading MNEs. The national 'Go Global' policy has been replicated at the subnational level to reproduce locally, and attempt to exceed, national objectives – ultimately resulting in a FDI promotion system (Pei & Zheng, 2015). It is remarkable then that this existed side-by-side with the system of controls upon OFDI. Only in 2014 did the Chinese authorities move from a system of OFDI based on verification and approval (constraint) to a "light touch" registration system of simple notification (Jin, 2015); though the authorities have shown that they are willing to retract OFDI liberalisation when it becomes 'uncontrollable' (Wu & Chatterjee, 2017). Moving from a closed economy that restricted OFDI to one that embraces it is not unique to China. Japan and Taiwan went through a similar process of institutional constraints followed by liberalisation (Buckley, Clegg, Cross, & Voss, 2010). But these processes had attracted limited academic attention and did not inform theorising on the internationalisation of firms.

Until the early 2000s the mechanism through which the Chinese institutional environment determined Chinese OFDI is relatively clear (Luo et al., 2010). It encouraged selected businesses and sectors to internationalise, largely prohibited private firms from doing so, established a comprehensive control and monitoring system, and set up support mechanisms intended to improve the international location decision, to make businesses more profitable (Sauvant & Chen, 2014). This system was used to direct Chinese firms to particular host countries and industries, and was listed in the *Catalogue of Countries and Industries for Guiding Investment Overseas* and the *Global Investment and Cooperation Information Service System* (the "Investment Catalogue"). The current institutional framework suggests that the Chinese government views Chinese OFDI and its liberalisation as important for the international development of Chinese firms, but also as sufficiently vital for the achievement of Chinese policy objectives as to require continued interference in the precise action of the policy. The notion of the home government as an active actor in the internationalisation process has gained traction in the international business literature and been found to be of relevance for India (Prashantham & Birkinshaw, 2015), Malaysia (Sim & Pandian, 2007), Norway (Amdam, 2009), Singapore (Sim & Pandian, 2007), and Taiwan (Cheng & Yu, 2008).

However, the involvement of the Chinese government in OFDI is not limited to the macro-institutional level. Lu, Liu, Wright, and Filatotchev (2014) have found that the guiding hand of the Chinese government has influenced host-country selection by Chinese MNEs. Furthermore, Duanmu (2014) and Li, Newenham-Kahindi, Shapiro, and Chen (2013) have argued that the involvement of the Chinese government is changing the nature of business–government interaction in host countries. Often, Chinese MNEs do not negotiate and bargain directly with the host government, but are represented by the Chinese government. This significantly increases their effective bargaining power and safeguards them against the threat of expropriation, among other things. The provision of cheap loans also influences the investment decision of Chinese MNEs and constitutes an invaluable source of competitive advantage (Child & Rodrigues, 2005; Wenbin & Wilkes, 2011). Micro-management is evident in the annual assessment of the performance of Chinese MNEs and their overseas affiliates by Chinese government organisations, and especially by SASAC (Naughton, 2015). Such types of "parental" involvement by the Chinese authorities in the decision-making of state-run and non-state-run enterprises are common practice (Kynge, 2017).

The "Go Global" policy has also impacted on China's foreign policy. Numerous high-profile state visits by China's leaders to developing countries and the establishment of the Forum on China–Africa Cooperation, the "16 + 1" cooperation forum with Central and Eastern European Countries, and the China–Caribbean Economic and Trade Cooperation Forum that aim to smoothen the way for Chinese companies to enter potential host countries, are evidence of this development (Bernal, 2015; Gu, Zhang, Vaz, & Mukwereza, 2016). During state visits, China has a signed a number of wide-ranging economic cooperation agreements and foreign aid schemes, such as the agreement on oil exploration rights for the China National Offshore Oil Corporation (CNOOC) in Kenya; CNOOC subsequently withdrew from Kenya after unsuccessful explorations (Sambu, 2010). This vignette highlights that the Chinese government's support and intervention alone will not make overseas ventures successful and profitable. Moreover, China's official development aid is generally allocated to infrastructure projects (UNDP & CAITEC, 2017) and this aid is often conditional on the receiving country awarding a construction contract to a Chinese company (Zhang & Smith, 2017). Aside from this, the support China is providing to most developing countries is generally in line with market conditions, suggesting that China is not overpaying for access to new markets for Chinese firms and to expand its diplomatic clout (Bräutigam & Gallagher, 2014).

In emerging markets, financial systems are believed to be inefficient and their capital markets imperfect (Kim & Song, 2017). The capital markets of China, for example, are generally not considered to be driven by market forces, and thus they are considered to be imperfect (Beck, Lu, & Yang, 2015; Deng, Morck, Wu, & Yeung, 2015). SOEs and, especially 'national champion' business groups, have privileged access to capital at favourable rates through the state banking sector. They also enjoy preferential access to capital markets through their embeddedness within the Communist Party system (Sutherland, 2009; Karreman & van der Knaap, 2012). In comparison, as a result of these institutional biases and discriminatory policies, private firms generally face acute challenges in securing external finance, caused by state control over lending within Chinese banks and control over domestic stock markets (Shen, Shen, Xu, & Bai, 2009; Lai, 2011; Liang, Shi, Wang, & Xu, 2017). Consequently, private Chinese firms are often crowded out of the domestic capital market unless they develop special relationships (Lu & Yao, 2009; Chen, Liu, & Su, 2013). Because access to domestic capital is limited by regulation, unequal treatment by lenders and by the restricted range of outside funders, privately owned firms search for alternative ways to augment their capital stock, sometimes outside of China. This provides us with yet one more special set of circumstances to explain why capital scarce Chinese private firms internationalise (Wei, Clegg, & Ma, 2015). However, we should predict that the footprint of their internationalisation will be distinct from that of the favoured SOEs we studied in our 2007 paper. Therefore this dualistic domestic economic structure is one that we should expect to be exported outside of China.

New outbound policies such as the 'Belt and Road Initiative' have a neo-mercantilist aim – to pursue a government-inspired global strategy to strengthen and sustain domestic Chinese industry, particularly those SOEs suffering from overcapacity at home, through the channelling of their output abroad, with privileged access to foreign markets. The social rate of return on such projects for China is unlikely to be high, although there might exist some diplomatic pay-offs. Rather, the value to the Chinese Communist Party, and its broader agenda, is likely to be the paramount consideration.

Governance of Chinese MNEs

There is also a growing academic interest in programmes of research on the management of foreign assets by Chinese multinationals. The lack of transparency in corporate governance is the key issue here, mirroring within the firm the institutional idiosyncrasies evident in the business and political environments (Globerman & Shapiro, 2009). In addition, the strategic logic of Chinese MNEs is coming under increased critical scrutiny. Some Chinese conglomerates appear to amass foreign assets and brands without a clear strategic plan. For example, the Chinese conglomerate Dalian Wanda owns Sunseeker International (yachts) (UK), Club Atletico de Madrid (football) (Spain) and the American cinema chain AMC Theatres amongst its large worldwide commercial property portfolio. Similarly, Fosun Group owns Club Med (France), Thomas Cook (UK), Canada's Cirque Du Soleil, American St. John (clothes) and Greek jeweller Folli Follie, in addition to its international insurance business, pharmaceuticals, mining and iron and steel businesses in China, real estate and Wolverhampton Wanderers FC (football, UK). In 2016, the Chinese government reacted unfavourably to such inappropriate diversification (Wildau, 2016).

In some way, such unusual investment behaviours mirror the perverse risk preferences evident in our 2007 study. However, the precise theoretical mechanism through which these two outcomes are generated is, as yet, unknown. If there is some deep equivalence to be discovered, it would represent an important step forward in understanding the true nature of the goals of Chinese investors abroad. As with our 2007 conjecture, it may be that market imperfections at home are the root cause, in particular with respect to access to capital.

The concern within major host countries about the management of Chinese multinationals centres on a lack of transparency and the stripping of key assets. The diversity of M&A deals by companies such as Dalian Wanda, Fosun, and the wide variety of failed deals, e.g., Anbang's acquisition of Starwood Hotels & Resorts (Jones, Espinoza, & Hanocl, 2017) draws attention to the lack of transparency in much acquisition activity originating from China. Some of the failures that have occurred are due to regulatory hurdles, both in China and the host economies. Increased regulation of foreign takeovers and greenfield investments – for example, in the UK by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) concerning disclosure of the identity of the ultimate control behind bidders, and increased vetting by the Committee on Foreign Investment in the United States (CFIUS) – have deterred Chinese investments (Rose, 2016). Asset stripping, in particular coupled with the transference of acquired technology back to China, is also a concern. In Germany, public and official anxiety has focused on the purchase of the robotics company Kuka and the technology-intensive company Aixtron (this latter carrying the suggestion of collusion between Chinese SOEs). The Aixtron deal was blocked by German regulatory authorities in 2016. As the scale and complexity of Chinese OFDI grow, the management of Chinese MNEs must become commensurately more sensitive to host country's sensibilities and welfare issues if a political backlash is to be avoided.

Chinese MNEs have also made over-optimistic promises in entering host countries in order to allay fears over their operations, promising no redundancies, retention of management and extensive expansion. It is not only potentially damaging when these promises are not met, but it also poses the risk to Chinese firms (especially SOEs) that their strategies do not accord with normal commercial logic. Currently there is an information gap, in the form of a lack of new, reliable, evidence on Chinese OFDI at the level needed to investigate these seemingly peculiar behaviours. Data constraints are increasingly binding, meaning that the more fine-grained explorations required to shedding light on practices within Chinese firm are arduous in the extreme. Investigating the causal mechanisms, in terms of theory building qualitative research, needs exceptional corporate access. And statistical enquiries to establish the quantitative aspects of differences between Chinese corporate governance and that in the advanced economies would demand unusually detailed data that are so far not forthcoming. Our 2007 study was enabled by the availability of Chinese data which, for its time, was indeed exceptionally detailed. Such a leap forward today would require "manna from heaven" of equivalent magnitude. Primary research is therefore essential and, without doubt, meticulous qualitative research is required for theory building. Perhaps ethnographical methods will be the most important route, as we cannot be sure what exactly we will find.

WHAT WOULD WE DO DIFFERENTLY NOW?

Since our 2007 study, the availability of secondary data has significantly increased, in tandem with the increase of Chinese OFDI. In a replication study of empirical studies of Chinese OFDI, including Buckley et al. (2007a), Anderson (2016) therefore suggests that to re-run and extend previous research, it is necessary to (1) have an updated panel dataset and (2) account for Special Purpose Vehicles (SPVs) that are a route between the source country (China) and the ultimate destination country (target final location). The limitation of assigning OFDI to the first destination country outside of the home country produces a highly inaccurate analysis of motives and determinants, where this first destination is not the final location. Such a distortion is exemplified perfectly by Hong Kong, which is a first destination country for a vast number of Chinese firms. But Hong Kong is not by any means the only one in this category, as this misattribution is a general problem found in any of the obvious offshore financial centres and tax havens (OFTHs) around the world, and for FDI from any source country (Sutherland & Anderson, 2015).

We have only some knowledge, pre-2001, of how much Chinese OFDI was in tax havens, and therefore how great a distortion existed in our original data. A certain amount of 'round tripping' to take advantage of government incentives towards inward investors into China may have occurred (Buckley, Cross, Tan, Liu, & Voss, 2007b). De facto this scheme became an incentive to domestic Chinese firms to invest back into China through an overseas-located vehicle. The fact that pre-2001 OFDI overwhelmingly comprised SOEs does nothing to diminish the possibility of round tripping by SOEs within our data (Ding, 2000). To this day, Chinese investments are predominantly, and disproportionally, directed towards OFTHs (Buckley et al., 2015). Once established there, Chinese investment might 'journey onwards' to third countries (Sutherland & Ning, 2011). It is equally likely that overseas incorporation is used instrumentally to restructure domestic operations (Buckley et al., 2015). Recrafting our 2007 paper, leaving today's better data availability aside, we would therefore consider the role of OFTHs more deeply. Offshore financial centres and tax havens are playing a significant role in the way Chinese firms structure and execute their internationalisation regardless of whether they are SOEs or privately owned.

Related to the role that OFTHs play is the wider institutional framework in China. Developments over the last 10 years have shown that Chinese OFDI is not only influenced by the dedicated 'Go Global' policy but also by other governmental objectives and goals (as we will elaborate below). The likelihood of improving our grasp of the true determinants of Chinese OFDI increases if we consider the Chinese government activities more holistically.

RESEARCH CHALLENGES FOR THE NEXT DECADE

Performance of Chinese OFDI

The weakest area in this line of research lies in the lack of empirical studies of OFDI performance, and in particular post-acquisition performance. Partly, this is a result of the recency of Chinese OFDI which does not allow for long runs of data. It is exacerbated by the methodological problems in assessing performance and the probability that there may be deliberate obscuration and lack of transparency caused by Chinese multinationals muddying the waters of performance assessment. Finally, and of most concern to the home and host economies, is that the business plans and capabilities of foreign investors might not be sufficient for sustainable long run operation.

One common difficulty in assessing the performance of Chinese MNEs is in inferring the appropriate objectives. If the primary objective of a Chinese takeover abroad is to transfer key assets and technology back to China, then performance in the host country post takeover is necessarily of secondary importance. This contrasts with the aim of building a global company where profitable growth within the foreign market is the appropriate performance target (Buckley, Pass, & Prescott, 1988). The assessment of performance is also sensitive to the time frame of assessment. If it is too short, then an objective evaluation is not possible, and an excessive number of FDI projects will appear to be failing.

Research on the post-acquisition performance of target firms acquired by emerging market MNEs (EMNEs) (the BRICs – Brazil, Russia, India and China) suggests that such takeovers often enhance the performance of target firms in developed countries (Buckley, Elia, & Kafouros, 2014). These effects can be explained by differences between the resources of EMNEs and their accumulated experience. The evidence suggests that EMNEs with investment experience in both acquisitions and in developed countries are the most effective in enhancing the post-acquisition performance of target firms. Experiential learning is vital. However, if Chinese firms do not always acquire firms with high pre-acquisition performance, then this may bias subsequent performance downwards, and

Chinese OFDI will not significantly increase the post-acquisition profitability of the target firm. Evidence from a study of EMNEs suggests that this inferior selection may be a hallmark of emerging economy acquirers (Buckley, Elia, & Kafouros, 2011). Nevertheless, such evidence as there is suggests that EMNEs generally increase target firms' productivity and sales, and slowdown employment decline. As always in takeovers, it is the combination of, and the synergy achieved between, the target firm and the acquirer that determines success (Buckley, Elia, & Kafouros, 2010). While these findings across EMNEs do not separate out Chinese acquirers, they are indicative of a potential reason for poor performance, notably failure in due diligence, market research, and in international capabilities on the parts of EMNEs. This suggests that monitoring, if not policy control, by the Chinese authorities still should have a role to play. The historical coexistence of official controls over Chinese firms' OFDI and the exhortation and promotion of internationalisation may be indicative, not of micro-management within an essentially coherent policy regime, but rather of disparate official interests residing at different levels within the Chinese bureaucracy (Sauvant & Chen, 2014; Voss, 2011).

Regarding research on the capabilities of Chinese outward investors, there are contrasting schools of thought, which have their origins in distinct theoretical viewpoints. Rugman and Li (2007) use an Ownership–Location–Internalisation (OLI) theoretical framework (Dunning, 2001) to argue that China's MNEs have failed to develop firm specific advantages (FSAs) and that this means they are knowledge takers rather than knowledge creators. Their view is that Chinese MNEs are building scale economies based on China's country-specific advantages (CSAs), cheap labour and natural resources. Rugman and Li (2007) stated, at the time of writing, that Chinese MNEs would have difficulty in sustaining their initial forays abroad, and will be restricted to regional expansion rather than becoming globally competitive. This perspective is at odds with the theoretical arguments by Hashai and Buckley (2014) that EMNEs do not need FSAs to be globally competitive. It also ignores the possibility that the "competitive advantage" of many Chinese MNEs, particularly those with strong connections to the state, arises from access to cheap capital deriving from imperfections in the domestic capital market, as was proposed in 2007 (Buckley et al., 2007a). It is arguable that Chinese MNEs could succeed by inputting capital into otherwise healthy foreign firms, particularly those in capital-scarce advanced economies in the wake of the global financial and economic crisis, thus reviving these firms. The possibility that this might be accompanied by improved market access in China for these advanced economy firms is a further argument that it is entirely possible that Chinese foreign investors have the power to confer performance benefits on target firms. This is clearly part of the argument behind strategic asset acquisition by Chinese OFDI, where key intangible assets are purchased as part of an acquisition package deal. The fact that Chinese firms often overpay for such assets does not diminish the explanatory power of the argument – but it clearly depresses the performance in terms of profitability of the acquiring firm. Taking the possibility of long run performance gains a step further, Lyles, Li, and Yan (2014) argue that Chinese OFDI may be considered a form of experimental learning whereby Chinese MNEs are prepared to take more risky approaches. This chimes well with the original 2007 paper's proposition that risk aversion is reduced by access to plentiful, cheap capital (Buckley et al., 2007a).

A recent study of EMNEs (Casanova & Miroux, 2016) shows that EMNEs in general are achieving spectacular results in growth but are doing rather poorly in other areas. The poor profitability of Chinese MNEs may be because they are "more focused on revenue growth than margins" (Casanova & Miroux, 2016: 54). This may be a strategic choice. Alternatively, and of most concern, Chinese OFDI may not be well managed. There are known exceptions to this viewpoint. Chinese banks "have the second largest profit margins in the world and do better than banks from most developed and emerging countries" (Casanova & Miroux, 2016: 55). It is difficult to evaluate market capitalisation performance, given the thinness of China's domestic capital market. The international diversification of China's MNEs is still low relative to western MNEs, largely due to their relative newness in the global market. Casanova and Miroux (2016) find some limited evidence that Chinese firms' M&A deals are conducted at a higher price for the targeted assets than their competitors. These deals consistently show higher price/earnings and total enterprise value to revenue ratios. This price premium appears to be increasing over time. Casanova and Miroux's (2016) analysis of Chinese OFDI is one of rapid growth, but uncertain sustainability.

The Roles of SOEs in China and in the World Economy

Here we add yet another dimension to our theme that the context of Chinese OFDI still requires special theoretical treatment. Our research on Chinese OFDI, and subsequent research, has paid significant attention to SOEs (see Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014; Cui & Jiang, 2012). The rationale behind this focus is simply the prevalence of SOEs in Chinese OFDI, and more generally in FDI from emerging economies. In contrast to SOEs from the advanced economies – economies dominated by private and listed companies operating within an arm's-length institutional environment – SOEs from emerging economies are more state-directed and influenced. To complicate matters further, in China, it is difficult to specify with any precision those firms that are 'private' and those that are 'SOEs'. The existence of 'Lishu' relationships means that Chinese firms are 'state-influenced' if not state-owned (Tan, Li, & Xia, 2007; Du, 2015). 'Lishu' translates as "belonging to", "subordinated to", or "directly controlled by", and the most important business–political connections in China are such 'Lishu' relationships. According to this argument, government (at different levels) exercises administrative power of control over unlisted firms via these Lishu connections. The implication is that government at central, provincial, city or prefecture level can influence the structure of the firm, directorial and senior management appointments, business plans, projects and operational decisions. This relatively under-researched influence by the various levels of government has not yet surfaced within work on Chinese OFDI. The reach of the Chinese government stretches beyond Lishu relationships within SOEs to embrace privately owned firms, obscuring the boundaries between state-ownership and state influence, and even state control. The Chinese MNEs Anbang, HNA, and Huawei are privately owned businesses, however, some have argued that they operate under some degree of covert government influence and fiat (Hornby & Massoudi, 2017; Weinland, 2017). Opaque ownership structures that hide the true identity of the ultimate owner of private firms, and historical linkages with the political elite support the notion that especially close business–government relationships, if not collusion at present (Barboza & LaFraniere, 2012; Hornby & Massoudi, 2017).

The emergence of SOEs as dominant international investors points to the potential value of future research to investigate the precise influence of 'the state' upon the full array of firms in China, and to compare this with the position in other emerging economies and the advanced nations – particularly with respect to their outward investments. 'The state' itself and the bodies through which the state exerts its influence need more accurate definition. As the above discussion of Lishu relationships indicates, the exact nature and governance structure of a Chinese company are often difficult to judge from ownership share data alone. Research in this area requires a thorough understanding of the mechanism through which the state is able, directly and indirectly, to exert its influence (Wang, Hong, Kafouros, & Wright, 2012). Country-specific mechanisms are likely to sit alongside features that are common internationally. Consider, for example, the Chinese Communist Party's structure which mirrors the official government structure and permeates business and government affairs. In China we also observe a pervasiveness of business–government 'revolving-door' appointments at senior management levels, whereby the exchange of government officials and executives reinforces the guanxi wang (network of personal connections) found at all levels of Chinese society. While the examples of Lishu and the 'revolving-door' are set in very different contexts, taken together they suggest that it is not necessary for the 'state' to communicate directives through official government bodies, but rather that it can use the party hierarchy, social network of senior managers, or secondees. Research that attempts to disentangle the mechanisms and pathways of influence by the state upon business would complement the corporate political strategy literature that focuses on how MNEs exert their own distinct influence through political ties.

Building on this stream of research on government influence, we now need concerted effort to understand better the full extent of the role that the Chinese state plays in China's OFDI, and how this might affect the downstream impact of OFDI within the host economy. SOEs have a mandate to address market failure in their home country, not in the host country. Their internationalisation approach and strategy may be presumed to align with home country imperatives, thus leaving limited scope for direct benefits and positive spillovers in the host country. A considerable number of studies in IB and economics attributes a positive impact to inward FDI (e.g., Haskel, Pereira, & Slaughter, 2007; Meyer & Sinani, 2009). This body of work, however, has focused on market-based businesses that invest overseas in order to develop and strengthen their corporate competitive advantage – not to address an imperative at the social or national economic levels at home. China qualifies not only as a source of SOE multinationals, but also as an emerging economy outward investor with economic development needs – a dimension of Chinese outward investment that is a separate issue. However, the role of the Chinese state is again pertinent. We have argued that OFDI may be distorted by institutions and policies at home, and so even non-state or non-Lishu FDI may carry the trace of the home institutional and policy environment.

It follows from our argument that there is a need for research on the institutional impact of Chinese investors on host economies. Emerging economy SOEs as well as private investors are entering foreign markets whose institutional environment have been shaped by free market economics applied by local governments and sponsored international organisations (Kragelund, 2009). In contrast, the Chinese 'Belt and Road Initiative', and the China-led Asian Infrastructure Investment Bank and the New Development Bank, are efforts both to duplicate, and to circumvent, the existing global economic governance structures in a shape more favourable to China (van Hoorn & Maseland, 2016). The funding that is bound to these initiatives, and to Chinese OFDI, enables China to recraft the global and local institutional environment in favour of its MNEs (Huang, 2017). The apparent withdrawal of the USA, under the Trump administration, from active engagement in global economic governance, creates the space and is therefore especially conducive to China's efforts to establish a more favourable alternative (Li et al., 2017). It is a challenge to address this research agenda using current IB conceptualisations. These conceptualisations are sufficient to describe data deficiencies and the opaqueness of the political processes involved in global initiatives, but are deficient in their ability to account appropriately for the role of economic diplomacy and global power relationships. Initiatives such as the 'Belt and Road' call for a greater emphasis on interdisciplinary research to address their multifaceted aspects (Buckley, Doh, & Benischke, 2017).

Capital Flight and OFDI

China has long experienced capital flight, although estimates of its magnitude vary significantly (Cheung, Steinkamp, & Westermann, 2016). Making a distinction between OFDI and capital flight is not easy. The financial component inherent in FDI, and its frequent attraction towards real estate and tax havens for liquid capital, may be an indication of capital flight, but not a proof of it. The transfer of state assets into private holdings – often in offshore locations (Ding, 2000; Pei, 2016) – suggests that family members of high status individuals in China use this mechanism to export wealth, but forensic investigation of this is difficult (Barboza & LaFraniere, 2012). Research suggests that some government officials have used tax havens to hide illicitly gained wealth while private individuals have moved wealth to offshore havens to safeguard it from the Chinese government (Gunter, 2017). Differentiation between types and motives for capital export is hazardous when the data are not transparent. It is, however, clear from OFDI data for China and other emerging economies that OFTHs play an important role in the choice of overseas locations (Buckley et al., 2015; Haberly & Wójcik, 2015). Although OFTHs may be used by Chinese citizens to protect wealth and avoid or evade taxation, the attraction of FDI into these centres is not restricted to these motive, and therefore warrants further investigation.

A small but growing body of research is now examining why western MNEs invest in OFTHs and how these investments impact home and host countries. This research is especially relevant to OFDI from emerging economies, as they invest proportionally, and significantly, more in OFTHs (Buckley et al., 2015). These observations underline our argument that, while Chinese OFDI differs from advanced economy FDI, there are important lessons to be learnt from both, and comparative research of Chinese MNEs' behaviours is a very promising focus for future research.

Chinese Management Practice

When Japanese firms first internationalised in the 1970s and 1980s, they were received with some scepticism and hostility (White & Trevor, 1983) – a reaction that has recurred with Chinese OFDI. The overseas perception of Japanese investments changed when it was understood that Japanese firms possessed management practices more advanced than those prevalent among western firms (Buckley & Mirza, 1985). As a result of this perceptual change in business and society, advanced economies embraced Japanese management techniques. To date, the same cannot be said about Chinese businesses. Although Chinese MNEs have become market leaders in particular sectors (e.g., Huawei, Lenovo) and have successfully acquired firms in advanced economies (e.g., Volvo by Geely) as yet there is no notion in the advanced economies that Chinese management practices are worth learning, or even adapting (Buckley et al., 2017). The final research agenda we propose addresses this curious incongruity, which has some parallels in the western perception of Chinese technology – again, posing a marked contrast with the earlier western perception of Japanese technology.

Chinese MNEs are argued to have evolved along two distinct pathways, sometimes described as the Huawei and the Haier pathways. The Huawei pathway captures the idea that Chinese firms build internal capabilities incrementally through investments in less developed and marginalised economies (Child & Rodrigues, 2005). In contrast, the Haier pathway is a description of Chinese companies that invest in advanced economies at an early stage in their internationalisation process (Liu & Li, 2002; Rongping, 2009; Sun, 2009). Such companies intentionally entered highly competitive markets for which they know they lack the requisite competitive advantages. Their reasoning is that entering early exposes themselves to advanced managerial and technological skills from which they can learn and develop, as part of an "immersion" process. Entry into advanced countries enables them to understand any local reservations against them, and better enables them to overcome nascent doubt and hostilities (Rui & Yip, 2008; Meyer, Ding, Li, & Zhang, 2014). The relevance and applicability of these two stylised pathways to Huawei and Haier, respectively, mirror the debate between the Uppsala (Johanson & Vahlne, 1977) and the International New Venture (Oviatt & McDougall, 1994) models. Underlying both pathways is the idea of managerial learning, adaptation to changing business environments and the ability of the firm to adjust their business models to suit specific market needs. What differs is the required rate of learning. The Huawei model puts more emphasis on the gradual and progressive learning in internationalisation, while the Haier model relies on rapid learning and possibly entails more risk. However, both the Chinese firms which give their names to these pathways had already built up considerable domestic strength on which to internationalise.

Chinese MNEs have emerged from an economic and institutional environment that has changed substantially over the last 40 years. China had been relatively homogeneous internally in economic terms through to the late 1970s as a result of central planning – with each province containing its own complete economic structure, replicated on a province-by-province basis across the whole of China (Naughton, 1995). In contrast, China today is characterised as having a very heterogeneous economic landscape with regional markets that differ widely in terms of development, stark wealth inequalities and disparate consumer groups. But because of China's large economic scale and population size, each of these market segments provides significant opportunities. Chinese firms that have been successful domestically have managed to take advantage of this increasing internal heterogeneity, and have developed products that cater for a range of markets (Zhu, Zhang, & Lin, 2017). This includes frugal innovations designed for the considerable proportion of the population still living in poverty (George, McGahan, & Prabhu, 2012). It also includes the concept of "Shanzhai", meaning the local adaptation of foreign products and their technologies to produce low-cost alternatives to advance economy products – a phenomenon that relies on the exploitation of weak Chinese intellectual property rights enforcement by domestic firms. As Williamson and Yin (2014) noted, such activities are not aiming to achieve breakthrough technologies, but they enable Chinese companies to accelerate their innovation throughput and push new products more cheaply and quickly onto the market. Taken in combination, these developments have enabled Chinese firms to develop in-demand goods and services on a large scale, and at a low cost of production (Ramamurti, 2012; Williamson, 2016). These firm-level capabilities have been developed by Chinese companies from a low level, then fine-tuned over the years, to enable many of them to internationalise today. Such a trajectory, in an emerging market context with little initial exposure to the original advanced economy products, has enabled Chinese firms to offer products that are more attuned to local needs, and then graduate to become MNEs in their own right. This strategy is identified with, but is not restricted to, the lower end of the market. As in the case of China, other emerging markets also have a diverse internal consumer market, ranging from the bottom-of-the-pyramid to high net worth individuals. Therefore we may be able to generalise to other emerging economies the notion that experience gained in the home country of catering to the needs of this diversity of consumers, is an advantage that positions many domestic firms well when operating overseas. Once selling and operating in advanced economies, Chinese MNEs are able to draw on their home country experience of continuous adaption to changing consumer needs, including their capability in scaling up ideas to make them profitable. Therefore in principle, there is no reason to believe that Chinese firms are condemned to an unsustainable long run model of competition.

Chinese companies have also gained some prominence in emerging, technology-driven industry sectors that will define future developments. The MIT Technology Review 2017 lists seven Chinese companies among the top 50 global businesses that have successfully combined innovative technologies with an effective business model (MIT Technology Review, 2017). In 2010 this number stood at just one. The Chinese companies Baidu and iFlytek (as well as ICarbonX) are examples of firms mentioned as being internationally important in the development and adaptation of artificial intelligence (Wang & Armstrong, 2017). The large domestic market provides Chinese firms with an environment in which they are able to develop their artificial intelligence applications rapidly, not least because of the extensive scope for gathering consumer and business data for private and governmental use.

CONCLUSION

We began our endeavour to test the standard model of FDI determinants on Chinese OFDI data in the knowledge that we could be certain China was the ideal test pad for our enquiry. Nothing in the last 10 years has done anything to change this conviction. Indeed, as our Retrospective shows, if anything, the research questions are now more profound, and have greater impact for the research field of IB, and, we would argue, for other fields of research – if taken up by IB researchers in the confident belief that this is what we should be doing.

The special theory that we invoked to explain home country's capital market imperfections cannot be understood outside of the context of China's social, economic, industrial and political structures. As we have reflected in this Retrospective, the subsequent research agenda has rightfully followed multiple paths to investigate the importance of each of these, and other contextual factors, for their ability to explain MNEs originating in China, along with all of the associated questions – on firm performance, managerial capability, technological capacity and so on. In this paper, we have emphasised institutional factors, and their impact on the Chinese MNE and its decision-making. Our purpose here is to place still greater weight upon what we refer to as the context, and to argue that it is necessary to paint as full a picture of context as possible. This is because we are as yet uncertain as to precisely how context might influence our understanding of the determinants of Chinese OFDI, and FDI from the "non-traditional" outward investing economies.

If we settle on just one of the other areas that is highlighted by our earlier study, it will amplify this point. This is the subject of international business policy. China exemplifies the traction that policy change can exert to raise economic prosperity and welfare. It is a demonstration to the world of the truth of this. Concerted international business policy was present at the inception of the Chinese experiment known as the Open Door Policy in which inward investment was employed instrumentally for development purposes, under carefully controlled conditions. In time, and through the processes that have been intensely studied by international business researchers, this has resulted in OFDI from China. Again, policy (this time outward oriented) is at the centre of this development, although it is more complex in its action – even conflicted – as we have noted. Through it all, the guiding hand of the Chinese government and the Chinese Communist Party remains the integrating factor.

The areas for future research that we have traced back to our 2007 paper are best considered as contextual factors. We do not yet know the precise nature of the mechanisms through which they influence OFDI from China, or how important each of them might be in explaining the pattern of internationalisation by Chinese firms abroad today. However, we do know that each of them is worthy of research and, in the fullness of time, should be capable of producing contributions to theory that we can integrate into our standard model. While they are as yet black boxes, we can envision that they will eventually be opened and that today's "hidden variables" will be integrated into our standard model. The constructs we currently have at our disposal, for example, of Chinese social and political organisation, which are believed to be so important in the development of China's businesses abroad, alert us not only to Chinese exceptionalism, but also to the general importance of home country's determinants of OFDI. This suggests that we have failed to ask sufficiently challenging questions about the true effects of social and political organisations in both emerging and advanced economies about the way that businesses internationalise. In this way, asking questions of Chinese data tells us more about the totality of OFDI than it does just about China. The same is true for each of the emerging and non-conventional outward investing economies.

Questions remain over the management capabilities of Chinese outward investors. It is not that particular outward investors do not possess these capabilities, but rather that as a group, Chinese firms are as yet not able to match their international expansion with intrinsic capabilities in management. This is perhaps why Chinese investors so often rely upon the hiring (or retention) of overseas "mature talent" as a sine qua non of investment abroad. While our 2007 paper was able to determine the outline of the phenomenon of Chinese OFDI, we were not able to look inside the firm. This is essential for the future, and to yield the great dividends in prospect in terms of theoretical insights eventually applicable to all foreign investors. These questions over Chinese management capability naturally lead to the issue of the performance of foreign investment, but so does the matter of government policy discrimination and preference directed towards some Chinese investors but not others. For multiple reasons, across the different segments of industry and society, we cannot expect Chinese outward foreign direct investors to behave as an internally homogeneous group.

The degree to which China is truly different from the advanced economies, or from other emerging economies, is worthy of debate. We noted earlier in this Retrospective that in China we see a business–government 'revolving-door', yet this is also well known in the advanced economies. To what extent then are the advanced economies really different, and are these connections any less relevant to explaining the expansion of advanced economy international business? We know that the state plays some role in the OFDI of all economies, but much of it is below the academic radar. China does us all the considerable service of drawing attention to how important state action really can be. It provides a mirror to the world for the development of theoretical knowledge. China, and the other non-traditional foreign investors, offer the ideal crucible within which to conduct the severest test of our understanding of the determinants of OFDI, from which to advance research areas and questions for the future.

It is something of a holy grail for IB to contribute to social science disciplines, rather than to merely take from them, be it in methodological, theoretical, or empirical respects. We believe that our own experience with the 2007 study, the subsequent research we have conducted, and are today conducting, at Leeds, as well as the experience of the wider community of researchers within IB, demonstrates that IB is asking the toughest research questions about how to integrate across categories. IB was conventionally defined with respect to the crossing of national boundaries. In fact, it is probably better thought of as the crossing of human boundaries, and although many, if not the majority, of these are correlated with national boundaries, many are not. This is a point well made by last year's excellent retrospective on *Culture's Consequences* (Kirkman, Lowe, & Gibson, 2016) on meaningful alternative "containers" of culture. The persistence, and the re-moulding of national boundaries, tells us that international business is more to do with how humankind, and the productive enterprises that are its artefacts, construct and reconstruct the world. IB is a field of research that deals with phenomena of the modern world, but to explain these phenomena we need to dig deep and wide. The different research questions that we have posed in this Retrospective article each reflect questions which, while we cannot answer them today, are worth asking. While they are not empirically established, they nevertheless provide useful concepts with which to understand the way in which the different determinants – that we can easily measure – might fit together. In other words, the nature of the relationships between the empirical variables that we are able to identify are too often approached in a trial and error fashion. A courageous (though well justified) theory driven approach to exploring these relationships would be far better, and an understanding of how things might be conducted differently, in different places and at different times, is an important part of the re-theorising of our conventional determinants models. Our 2007 paper identified precisely this as a possibility, in the perverse risk variable finding. This finding was difficult to understand using conventional reasoning based on efficient and transparent markets. But with an understanding of the possibility of an alternative form of economic and social organisation, it is possible to make a proposition specific to the context under study. In our original paper we argued that special theories to explain some aspect of OFDI could be nested within general theory, and we hold fast to this view. It is the distinct contexts of the way people are organised, within societies and within firms and the structures that straddle each, that account for why special theoretical explanations are necessary for Chinese OFDI, in 2007 and today. Eventually, theoretical unification may be possible, and to be part of it – and to lead it – the field of research of IB needs to continue to use ideal test beds, such as China, and the other emerging economies that provide stark relief to everything that we overlook in our own backyard.

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APPENDIX: ORIGINAL HYPOTHESES, FINDINGS, AND CONTRIBUTION

Hypothesis	Finding	Contribution
Chinese outward direct investment (ODI) is associated positively with absolute host market size	+	Chinese OFDI follows a market-seeking strategy
Chinese ODI is associated positively with host country's endowments of natural resources	n.s.	Chinese OFDI does not exhibit a natural resource-seeking strategy
Chinese ODI is associated positively with host country's endowments of ownership advantages	n.s.	Chinese OFDI does not exhibit a strategic asset (patent)-seeking strategy
Chinese ODI is associated negatively with rising levels of host country's political risk (higher values indicate greater stability)	–	Chinese OFDI is directed towards countries with higher political risk. Our SOE sample and our finding of the importance of the Chinese government may explain this
Chinese ODI is associated positively with the proportion of ethnic Chinese in the host population	+	Chinese OFDI is directed towards locations with a significant presence of overseas Chinese. This enables firms to overcome liabilities of foreignness quicker and to develop business networks
Liberalisation of Chinese FDI policy in 1992 increased Chinese ODI	+	Chinese government policies have a significant influence on OFDI. Home-country regulations and policies are important factors that shape magnitude direction of OFDI
A relative depreciation of the host country's currency leads to an increase in Chinese ODI	n.s.	Chinese OFDI is not driven by economic factors but by political ones
Chinese ODI is associated negatively with host country's inflation rates	+	Chinese OFDI is directed towards countries with economic uncertainties. This finding mirrors the finding for political uncertainties
Chinese ODI is associated positively with Chinese exports to the host country	+	Chinese OFDI supports Chinese trade activities. This finding is in line with the market-seeking strategy
Chinese ODI is associated positively with Chinese imports from the host country	–	Chinese OFDI is directed towards countries with which China enjoys close trade relationships. Established networks make it easier for Chinese firms to invest overseas
Chinese ODI is associated negatively with geographical distance from China	n.s.	Chinese OFDI is directed towards markets irrespective of location
Chinese ODI is associated positively with the degree of openness of the host economy to international investment	n.s.	Chinese OFDI is directed towards markets irrespective of how welcoming these markets are

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