Institutions, Investment and Internationalization: The Case of China

Within a short period China’s outward direct investment (ODI) has grown from being almost invisible to become a highly visible part of global investment flows. The increasing importance of China’s ODI and other international business activities has raised questions concerning the degree to which it can be fitted into existing models of foreign direct investment (FDI) and internationalization of firms. Much of this discussion has centred round the role of source country determinants of outward investment. Among the various factors used to explain the development of China’s ODI government policy has been prominent. The concept of “institutions” as “rules of the game” elaborated by Douglass C North has frequently been used by scholars in attempting to analyze this role.

This series of papers explores the role of institutions in China ODI, and more generally internationalization of companies. The first examines China’s highly elaborate ODI policy at the national level and its role in the development of outward investment since the 1980s. The second considers the rapid internationalization of China’s solar PV sector and the role of government supports to the sector. The third paper examines the policies at the national and local level concerning the wind and solar PV, and impact which different policies in the two sectors have had on their internationalization. The fourth paper considers the long-term development of both China’s inward and outward investment flows and their relationship to economic development. The thesis finds that institutions are important in the development of China’s ODI. In addition to North’s concept of institutions, the papers in the thesis apply traditional models that have been used to explain ODI and internationalization, ie, the Investment Process, the OLI model and the Investment Development Path. The thesis shows that the role of government or institutions must made central to traditional models of ODI and internationalization in order to take account of the case of China.