CHINA’S “GO GLOBAL” STRATEGY: AN OVERVIEW

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Abstract: In the last decade China has become not only the first world’s largest exporter but also the world’s second biggest economy. In this respect, the mighty Asian Dragon has made huge efforts to be a global player in the world economy. In view of China’s “go global” strategy, numerous researches have been published especially since the early 2000s, following the rapid expansion of Chinese outward foreign direct investments. This paper proposes to present an overview of the “go global” strategy by taking into account three main frameworks (political, economic, financial). The methodological approach is based on a quantitative method. The paper shows that the “go global” strategy occupies a prominent place in the present and future development of China.

Keywords: “go global” strategy, China, Chinese Communist Party, outward foreign direct investments

JEL Classification: F00

Introduction
Throughout its existence, China has created a profound and remarkable millennial culture, and made important contributions to the development of human society. After a period of isolation in the Maoist era, the most populous country in the world has increasingly gone global in its past three successful decades. The astonishing rise of China is seen as the big story of our time as it highly affects the entire world (Shambaugh, 2013). In recent years China has become not only the first world’s largest exporter but also the world’s second biggest economy (PricewaterhouseCoopers, 2015; Brown, 2017; Dieppe et al., 2018). In this respect, the mighty Asian Dragon has made huge efforts to turn into a global player in the world economy, especially in the contemporary era of globalization (Moore, 2008).

Starting from the increasingly complex nature of China’s presence in the world economy numerous researches have been published especially since the early 2000s, following the rapid expansion of Chinese outward foreign direct investments (FDI). The main reason is the fact that almost anything that happens or is produced in China has a significant effect on the whole world because the size of the country (e.g., population, market, workforce, surface) is huge (Studwell, 2013). China’s considerable global economic footprint represents the cumulative effect of different factors such as its impressive production capacity, giant output and consumption, and the “go global” strategy. This fast-changing country is already seen as the world of superlatives in many sectors such as the transport infrastructure or manufacturing (Haour and Zedtwitz, 2016).

This paper proposes to present an overview of the “go global” strategy by taking into account three main frameworks (political, economic, financial). The methodological approach is based on a quantitative method. The rest of the paper is structured as follows. The next section briefly defines the concept of “go global” strategy. The following sections deal with the political framework, the economic framework, and the financial framework of China. The paper ends with conclusion.

Defining the “go global” strategy
For several decades China succeedeed in attracting huge FDI. In the last two decades China became a global investor as “restrictions on outward investment are lowered and government efforts to promote ‘going out’ are stepped up” (Zhang, 2005, p. x).

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The “go global” strategy was officially launched in 2001 and primarily aimed “to foster a closer relationship with commodity-producing countries and thereby secure the raw materials the country urgently required for its economic growth and huge programme of urbanization” (Jacques, 2012, p. 411). “Driven and shaped by complex domestic and international factors” (Wang, 2016, p. 3), China’s strategy has promoted its outward FDI and highly encouraged its companies to carry on overseas investments. In order to better understand the “go global” strategy it is worth to take into account three main frameworks of China: political, economic, and financial.

**THE POLITICAL FRAMEWORK**

China’s political system and its decision-making processes are rather opaque and, therefore, difficult to understand for the vast majority of foreigners (Dumbaugh and Martin, 2009). However, the Chinese Communist Party (CCP) has continuously ruled the country since 1949. By using “Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Represents, the Scientific Outlook on Development, and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” (National Congress of the Communist Party of China, 2017, p. 1) as its guiding principles, the CCP leads the Chinese nation on its path to developing the “one country, two systems” philosophy and the socialist market economy.

Since the early 1990s the CCP has started to use the phrase “the great rejuvenation of the Chinese nation” (zhonghua minzu de weida fuxing). In other words, the new CCP’s main mission has become the restoration of China’s glory and position in the world. After becoming the President of the People’s Republic of China in November 2012, Xi Jinping spoke of reviving a deeply rooted concept in China’s history, the so-called “Chinese Dream” (zhongguo meng) or of accomplishing the goal of the great rejuvenation (fuxing) of the Chinese nation (Antholis, 2013; Wang, 2013). As a multifaceted and complex concept, the “Chinese Dream” embodies various aspects of the Chinese civilization (e.g., cultural, political, social, economic), refers to a multitude of goals (Figure no. 1), and has an universal relevance (Li, 2015).

![Figure no. 1. The goals of the “Chinese Dream”](image-url)
The “Chinese Dream” represents a desire for happiness (Xi, 2014). It encompasses three key components as follows:

- The Chinese path, which is “the path of building socialism with Chinese characteristics” (Xi, 2014, p. 41).
- The Chinese spirit that puts at its core patriotism.
- The Chinese strength that is “the strength of unity among the people of all ethnic groups” (Xi, 2014, p. 42).

Thus, the “Chinese Dream” represents both an internal and external policy statement, and follows the exceptional dynamism of the Chinese society and economy. In this respect, the President Xi Jinping has elaborated a two-stage development plan (Peters, 2017):

- The achievement of socialist modernisation (2020-2035), including the implementation of the “One Belt One Road” initiative.
- The transformation of China into a great modern socialist country (2035-2050).

The political “top-level design” launched under Xi’s rule emphasizes the centralised decision-making process. In contrast with the bottom-up “implementationism” promoted by Deng Xiaoping and continued by Jiang Zemin, the top-down “decisionism” illustrates the hierarchical, aggressive and autocratic leadership style of Xi Jinping (Heilmann, 2016). On the other hand, the Chinese foreign policy has become more proactive through the implementation of the “go global” strategy which is highlighted by the use of various syntagms such as “be more active” (gengjia jiji), “take greater initiative” (gengjia zhudong) or “actively go in” (jiji jinqu) (Sørensen, 2015). In this sense, President Xi declared: “We will attract foreign investment and encourage companies to “go global” at the same time, and enhance international investment cooperation.” (Xi, 2014, p. 383)

THE ECONOMIC FRAMEWORK

The First Industrial Revolution emerged in Britain, led to a significant growth of the manufacturing output and generated rapid economic and social change. Thus, Britain became not only the first industrial nation of the world (Mathias, 1969) but also the workshop of the world. Learning from the British example of the XIXth century, China succeeded in positioning as the “world’s factory” in the global economy of the XXIst century. The “Made in China” label is omnipresent (Shenkar, 2006) and influences our daily lives (Fishman, 2006).

After the setting up of the People’s Republic of China in 1949, a highly centralized planned economic system was designed and implemented. Under Mao Zedong’s guidance four important economic goals were pursued:

I. There was a fundamental change in property rights, with three main targets: landlords, the national bourgeoisie (capitalists, merchants, bankers) and foreign interests (mostly in Manchuria and in the former treaty ports).

II. There was a big increase in state revenue to finance expanded administrative mechanisms, maintain a high level of military preparedness and raise the rate of “accumulation”. Investment was concentrated on industrial development, particularly heavy industry. Consumption was squeezed. Basic needs in terms of food, health and education were given priority, but clothing was drably conformist, housing and distributive services were minimal.

III. Market forces were replaced by regulatory devices for allocating investment funds and physical inputs, controlling movement of labor, fixing prices and wages.

IV. Foreign trade became a state monopoly whose goal was self-sufficiency. Imports were concentrated on essential producer goods, and the domestic economy was isolated from international market forces. Foreign direct investment disappeared and foreign borrowing was restricted largely to interstate transactions with the Soviet Union and other communist countries.” (Maddison, 1998, pp. 59-61)
Much later, the economic pragmatism of Deng Xiaoping put an end to the Chinese full command and planned economic system. By introducing the market mechanisms in the national economic system and allowing the transnational capital to relocate to China, the CCP brought up the matter of “the hybrid marriage of state power and global capital” (Ngai, 2005, p. 4). The open-door policy promoted by Deng allowed Chinese leaders and economic officials to learn from the successful experiences of neighboring economies (e.g., Hong Kong, Singapore, Taiwan) (Chow, 1994). The establishment of the special economic zones was a crucial step made by China in order to reform and open its economy at the end of the 1970s and the beginning of the 1980s (Ge, 1999). It was the starting point for a relentless economic development in spite of its substantial costs. The economic reform process initiated in China has been characterised by several features as follows:

- The deployment of a gradual and incremental process.
- The use of intermediate mechanisms in order to ensure a smooth transition from an economic system to another.
- The implementation of an increasing role of the market determination of resource allocation and prices.
- The initiation of a progressive decentralisation of economic decision-making.
- The preservation of the socialist character of the Chinese economy (Harvie, 2000).

A fundamental shift in the course of China’s economic reforms occurred in 1993 when the famous and historic “Decision on Several Issues in Establishing Socialist Market Economic System” was adopted by the Central Committee of CPC. The document highlighted the three main pillars needed for creating the socialist market economy:

1. establishing the market players with diverse economic sectors developing side by side and the modern enterprise system with “stock system” as the core;
2. forming the microscopic economic operation mechanism with prices determined by market, so that the market mechanism plays a basic role in allocation of resources; and
3. establishing the macroeconomic regulation and control means with finance and banking as the main leverage.” (Wu and Rong, 2014, pp. 28-29)

It is worth to emphasize that “in a socialist market economy, the word socialist is the adjective, and the goal is a market economy” (Yingyi and Jinglian, p. 36).

Since 2001, the Chinese economy has quadrupled (Brown, 2017) and the country has turned into a “new world actor of wealth creation” (Haour and Zedtwitz, 2016, p. 1). By abandoning “its former isolation in favor of deep engagement with world markets” (Brandt and Rawski, 2008, p. 2) and its increasing participation in the global economy (Kennedy, 2016), China understood the need to internationalize the activity of its companies. There was no surprise that in a relatively short period of time the Chinese companies entered the top largest corporations of the world. In 2017, three out of the first ten world’s largest corporations were Chines: State Grid, Sinopec Group, and China National Petroleum (Table no. 1).

<table>
<thead>
<tr>
<th>No.</th>
<th>Corporation</th>
<th>Country</th>
<th>Revenues ($bn)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>United States of America</td>
<td>500.343</td>
</tr>
<tr>
<td>2</td>
<td>State Grid</td>
<td>China</td>
<td>348.903</td>
</tr>
<tr>
<td>3</td>
<td>Sinopec Group</td>
<td>China</td>
<td>326.953</td>
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<tr>
<td>4</td>
<td>China National Petroleum</td>
<td>China</td>
<td>326.007</td>
</tr>
<tr>
<td>5</td>
<td>Royal Dutch Shell</td>
<td>Netherlands</td>
<td>311.870</td>
</tr>
<tr>
<td>6</td>
<td>Toyota Motor</td>
<td>Japan</td>
<td>265.172</td>
</tr>
<tr>
<td>7</td>
<td>Volkswagen</td>
<td>Germany</td>
<td>260.028</td>
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<tr>
<td>8</td>
<td>BP</td>
<td>United Kingdom</td>
<td>244.582</td>
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<tr>
<td>9</td>
<td>Exxon Mobil</td>
<td>United States of America</td>
<td>244.363</td>
</tr>
<tr>
<td>10</td>
<td>Berkshire Hathaway</td>
<td>United States of America</td>
<td>242.137</td>
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Source: Fortune, 2018
On the one hand, China has been for a long period of time a huge recipient for FDI. On the other hand, the last decade has witnessed the increasing spread of Chinese outward foreign direct investments. In this respect, the pharaonic “One Belt, One Road” (OBOR) Initiative, one of President Xi’s most ambitious project, constitutes a valuable example. OBOR is going to support China’s effort to face several pressing economic challenges such as “encouraging regional development in China through better integration with neighboring economies, upgrading Chinese industry while exporting Chinese standards, and addressing the problem of excess capacity” (Cai, 2017, p. 6). It means that China has become one of the main drivers of world economic growth and a champion of economic globalisation (Dauderstädt and Stetten, 2005; Xi, 2017a), in full accordance with its “go global” strategy. However, China seems to be enough prepared to question the current Western economic order and to propose a globalisation with “Chinese characteristics” (Amighini, 2018).

**The financial framework**

The financial system is strongly connected with the economic system as it fulfills a key role in nourishing the global expansion of China. The Chinese financial system comprises:

- The banking and intermediation sector,
- The financial markets,
- The shadow financial sector (e.g., informal financial institutions),
- The foreign sectors (FDI, capital flows). (Allen et al, 2017)

The Chinese banking sector serves as “an important mechanism in resource allocation and risk diversification” (Luo, 2016, p. 1).

Despite being criticized for its mercantilist policies, especially in the monetary and financial sectors, China has remained faithful to the accumulation of capital. In 2014, the foreign reserves of China attained the astonishing sum of almost 4 $trn (Song and Xiong, 2018). Last year, President Xi drew attention to complying the following four rules in the financial sector: “first, finance should return to its original purpose and serve the development of the economy and society. The ultimate goal of the financial sector is to serve the real economy...second, we should improve the structure, market, organizations, and products. Attention should be paid to quality development of the financial sector, which needs to grow in coordination with the economy and society...third, supervision should be strengthened to prevent and defuse financial risks...fourth, the financial sector should be market-oriented, and the market should play the decisive role in allocating financial resources.” (Xi, 2017b, p. 305).

The five largest Chinese banks (Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank, Bank of China, Bank of Communications) dominate the financial sector. They are “majority-owned by the central government and there are significant government stakes in many of the other banks” (Elliott and Yan, 2013, p. 3). As the Chinese financial sector is playing an increasing role in the world’s financial system (Tobin and Volz, 2018), China obtained “recognition and approval as a systemically important and responsible global financial power” (He, 2016, p. 2). Also, its banking sector is already the biggest in the world (Zhu et al., 2018). Moreover, the Chinese banks have become very active on the international stage as they participate in several projects such as the OBOR initiative and renminbi, the Chinese currency, has occupied a stronger position in international transactions (Park, 2016).

**Conclusion**

China’s rising profile in the global economy is beyond dispute. Moreover, it is reshaping the world economy in a period of time when the world economic balance of power is changing. The “go global” strategy has played an important role in China’s meteoric rise.

The paper shows that the “go global” strategy occupies a prominent place in the present and future development of China. It also emphasizes the role played by the three frameworks (political, economic, financial) of China in designing and implementing this strategy.
References


China’s entrance into the WTO in 2001 and the increasingly fierce competition on its domestic market among companies has made going global an increasingly attractive strategy for many Chinese companies. By doing so, they can make full use of the resources available on the world economy to better tap into external markets. In 2000, the Chinese Government first framed the Going Global Strategy for firms in China, making the outward expansion of business enterprises a major strategic initiative for the future economic development of the country. In the following decade and a half, Chinese companies have a perspective on a range of global issues, arguing that China’s international consensus-building strategy could lead to a more peaceful and equitable world. This book offers a refreshing perspective on China that will be of great value to those interested in the big political questions of how to tackle war and imperialism, globalisation and development as well as to undergraduate students of politics, economics and international relations.