

The Feedback Effect of Economic Conditions on Outward FDI Policy

Abstract

This paper studies the role of developments in firm internationalization, industrial catch-up, and macroeconomic home country stability on reactive outward foreign direct investment (OFDI) policymaking in an emerging market context. Drawing on theoretical policy change approaches of political science, I contend that the size of the developments that risk China's economic stability is an essential factor for causing reactive OFDI policymaking. Studying the period of 1999 to 2019, this paper finds that while drastic changes on the firm, industry, and macroeconomic level lead to reactive OFDI policymaking, it is only on the firm level where continuous change matters for policymakers.

Keywords

FDI Policies; Outward foreign direct investment; Home country government; Industrial development; Macroeconomic stability; China

1. Introduction

Policies¹ are non-stable, with their dynamics of change depending on developments within and external to the political system (Baumgartner & Jones, 2002, 2009; Hall, 1989, 1993; Streeck & Thelen, 2005). Where developments within the political system are in a democracy often caused by an election, in an autocracy, it might be the announcement of a five-year plan introducing new political aims (see, for example, China or the former Soviet Union). However, external changes to the political system affecting the design of governance actions exist in any

¹ In this paper I define policy in line with Clegg (2019), Utesch-Xiong (2021), and Hornby et al. (2010), as “a principle or course of action”. Furthermore, I understand policy change as newly implemented policies, as well as changes in existing policy instruments and settings (c.f., Hall, 1993).

country². Nevertheless, this is especially true for developing economies, which are often characterized by higher market failure levels and reactive government intervention (Krueger, 1990; Stiglitz, 1989).

The relationship between policies and changes in the political and non-political system is well-researched (on population-level) in the political sciences (e.g., Bondes & Heep, 2012; Pierson, 1993). Its policy change literature mainly comprises the design and change process of policymaking (e.g., Albright, 2011; Arnold & Long, 2019; W. Li & Weible, 2019), the differences between the size of the policy-sphere external developments and their influence on policy change (e.g., Streeck & Thelen, 2005), and the effect of policy change on the external environment (e.g., Whitaker, Herian, Larimer, & Lang, 2012). However, while it provides essential insights into policymaking, it does not sufficiently address firms' role as policy external environment market players shaping decision-making. This is where international business (IB) research has its *raison d'être*, studying the feedback loop between policymakers' decision-making and MNEs' behavior. However, IB research focusses on the one hand mainly on how firms proactively shape political decision-making through corporate political activities (CPA), such as lobbying (Cui, Hu, Li, & Meyer, 2018; Patnaik, 2019), and, on the other hand, on how policies influence firm internationalization (Du & Zhang, 2018; Lu, Liu, Wright, & Filatotchev, 2014; Utesch-Xiong, 2021; Yan, Zhu, Fan, & Kalfadellis, 2018). Only in its earlier literature, the field studied a more macro-perspective on the relationship between market participants and policymakers. Dunning (1992, 1995), for example, analyzed how globalization required governments to rethink their established “macro-organizational policies”, to be able to reduce the costs of market failures associated with the global economic developments. While

² Dunning (1992, 1995), for example, argued that changes in macro-organizational strategy of governments, are due to developments on the international political and economic level.

the early IB literature considers reactive policymaking, it studies the relationship between market developments and governance merely on a highly conceptual level.

Hence, IB research cannot answer questions about how home country economic developments (i.e., also firm internationalization) affect outward foreign direct investment (OFDI) policymaking and if the size of the change in these economic developments is critical for triggering policy reactions. I argue that these are crucial topics for home and host country policymakers' decision-making, managers who need to know about the policy reactions that their actions might trigger (*feedback effect*³), and academics interested in the relationship between firms and governments.

I address these questions in this paper by combining insights from the IB and economics literature with the theoretical perspective of political sciences on policy change (Baumgartner & Jones, 2002, 2009; Hall, 1989, 1993; Streeck & Thelen, 2005). I contribute to policy change theory by providing insights into the context of responsive policymaking in China. As my results show, next to significant changes on the firm level, also shocks in the development of the industry and national level led to these feedback effects on OFDI policies. With my hypothesis on the developments in firm internationalization and OFDI policymaking being confirmed, I strengthen the reactive policymaking argument.

I am convinced that the study of feedback loops of home-country economic developments on OFDI policymaking has with the Chinese economic system an adequate research field, due to its extensive level of responsive policymaking (e.g., MOFCOM & MOFA, 2005; State Council, 2015b; Zenglein & Kärnfelt, 2019). This paper examines this relationship focusing on 1999-2019, where most of China's responsive OFDI policymaking took place.

³ Defining the feedback effect, I follow Lewin and Volberda (1999) who state that change might be caused by feedback from the system, next to the direct actions of the parties involved.

However, it is not only China that intervenes in the market to drive its economy to higher areas of growth, but other developing countries are also intervening in OFDI (Caseiro & Masiero, 2014; Sauvart, Economou, Gal, Lim, & Wilinski, 2014). Thus, I argue that my results might also be generalized away from the Chinese context.

2. Theoretical Framework

While the IB and policy change literature are highly intertwined in practice, IB scholars seemed to have sidelined this interdisciplinary area in their research, at least for some time. Theories on policy change are already well-embedded in the political and sociology literature. However, IB scholarship has only recently re-focused on the interaction between both fields (c.f., Lundan, 2018). I use the extant policy change theories, as I believe that they offer an excellent foundation for research on the crossroad of public policy and IB (e.g., Lowry, 2006; Tosun & Workman, 2017; Weible, 2017).

There are two main streams in the policy change literature, the incrementalism and non-incrementalism approaches. The incrementalism approach (Djelic & Quack, 2003; Lindblom, 1959; Streeck & Thelen, 2005) highlights the importance of gradual changes in policies to explain transformational changes in policy outcomes. As argued by Streeck and Thelen (2005), the incrementalism approach not only separates the process of change into nuanced facets but it also reveals that accumulated small changes might lead to a discontinuity of policies next to external shocks. The advocates of the incrementalism approach argue that any approach that defines stability in policy change by the fact that external shocks are not happening or eventually not leading to policy disruption (see the second stream) might not be able to explain the transformation of a policy to the whole extant (c.f., Streeck & Thelen, 2005).

However, scholars of the non-incrementalism approach (e.g., Baumgartner & Jones, 2009; Jenkins-Smith, Nohrstedt, Weible, & Ingold, 2017; Sabatier, 1987) support the opinion that

only large changes can lead to a complete replacement of policies (e.g., Heikkila & Cairney, 2017; Sabatier & Jenkins-Smith, 1999: 147-148; Weible & Carter, 2017).

As can be seen from the juxtaposition of the incremental and non-incremental approaches, the paths of policy change theories differ in their understanding, considering the type of change needed to achieve a change in policy outcomes. However, the different perceptions have in common that events external to the policymaker circles, for example, significant changes in outward direct investments in a centrally planned economy, might be a decisive factor for policy change. With an event's effect size large enough to change the established opinions of society or policymakers, it might also be able to change existing policies.

Nevertheless, what precisely can be defined as an external event with the potential effect to be large enough to lead to policy change is not defined, per se (Bauer & Knill, 2012). Also, the definition might change together with the development of the economy. Hence, policymakers might react differently to external developments than the same market players did to similar events in the past (Bauer & Knill, 2012). In the case of OFDI, it might be that in a centrally controlled economy OFDI of the same form and value might be seen as acceptable from the central decision-makers position. However, as other macroeconomic factors change, this OFDI might be seen as a threat to economic development and restricted.

3. The role of policies in China

When developing new or changing existing policy, it is not sufficient for policymakers to study the policy itself and, for example, focus on closing a loophole in the existing policy system. Policymakers also need to understand the policy target group and its environment, which might be directly or indirectly affected (Streeck & Thelen, 2005). This understanding is particularly crucial in centrally planned economies, where industry sectors are part of a network designed to achieve a specific level of economic growth. Furthermore, when the economic environment

is steered by the central government, implementing a new policy deserves more carefulness than with an open economy. With more policies steering the economy, avoiding contradictions between policies is crucial for the central government's clear guidance - but it is even more challenging. For a centrally planned economy, it is of paramount importance to keep its economy in balance, as instability in one part of the economy might affect other economic factors and eventually lead to slowing growth rates while risking the government's ability to provide the essential needs for its population. Hence, policymakers have to listen carefully to changes in market developments that might affect development aims.

Since the People's Republic of China's proclamation in 1949, the central government drives its economy through strict guidance. To maintain control over its economy, the government implemented a helix-structure of leading state-organs, divided into the National People's Congress (NPC) and the State Council (e.g., Heilmann, 2016: 55). The NPC is the country's highest decision-making board, consisting of deputies of regions and cities, minorities, and the military, electing the President of the People's Republic of China. The State Council is the NPC's highest executive decision-making body, representing China's central government (National People's Congress, 2019). The joint structure of these two organs highlights the connection between the Chinese Communist Party and the state, as well as their intertwined tasks of developing and stipulating China's basic laws (NPC) and designing and implementing legal orders (State Council) (Heilmann & Stepan, 2017). In addition to these two leadership bodies, subordinate decision-making departments, such as the government Ministries and the Supreme People's Court, publish policies and laws that support the directions of the NPC and State Council (Heilmann, 2017).

3.1. The process of OFDI policymaking

Between 1999 and 2019, China's OFDI policymaking organs introduced 108 policy changes (based on own OFDI policy database⁴), showing that the centrally managed economic system is permanently adjusted to an ever-changing environment (see Blanchard, 2019; Luo, Xue, & Han, 2010; Utesch-Xiong, 2021; Voss, Buckley, & Cross, 2008; Wang & Gao, 2018). Figure 1 highlights that of the 20 OFDI policy (co-)enunciating government organs, only one was not under the State Council's control - the All-China Federation of Industry and Commerce (ACFIC). All other policy enunciators are the State Council itself or any of the State Council's subordinated organs, such as executive departments (e.g., ministries), (special) agencies, or public institutions (see Figure 1). Most policies were (co-)announced by the executive departments, with 146 documents, followed by the (special) agencies under the control of the State Council (24) and the State Council itself (8 policies).

⁴ See supplementary material.

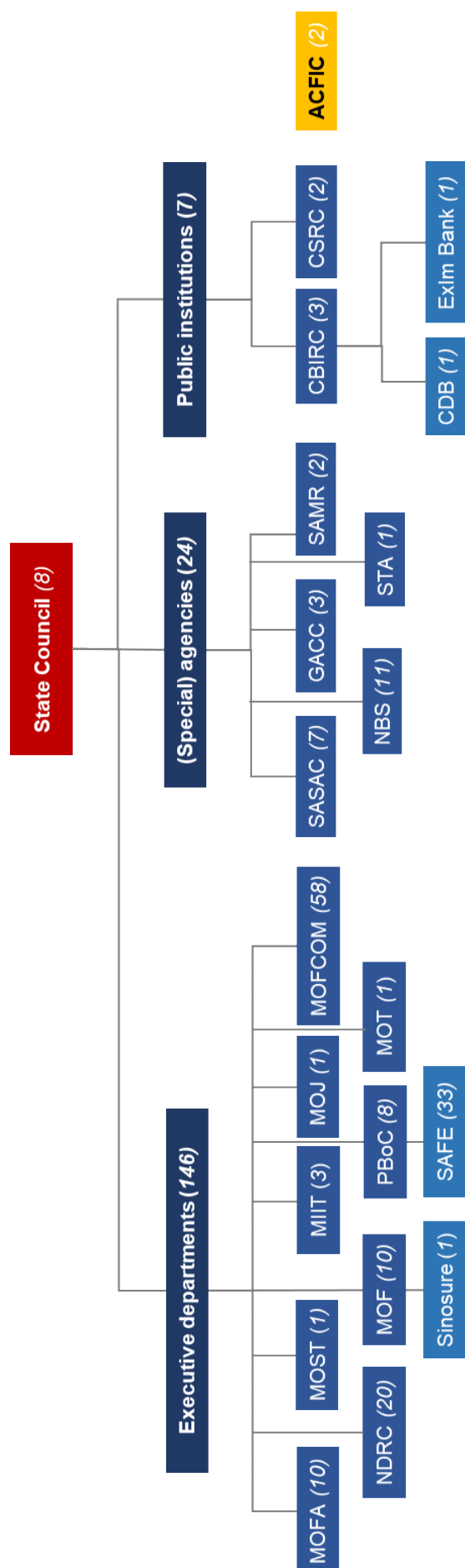


Figure 1: Government enunciators of OFDI policies, 1999-2019

Note: The figure shows only government organs that enunciated at least one of the 108 policies included in my dataset. The count of policy enunciations is in parentheses – the sum across government organs can be larger than 108 due to the co-enunciation of policies. Abbreviations: ACFIC = All-China Federation of Industry and Commerce; SAMR = State Administration for Market Regulation; ExIm Bank = Export-Import Bank of China; MOF = Ministry of Finance; MOFA = Ministry of Foreign Affairs; MOFCOM = Ministry of Commerce; NBS = National Bureau of Statistics; Sinosure = China Export & Credit Insurance Corporation; NDRC = National Development and Reform Commission; PBoC = People's Bank of China; SAFE = State Administration of Foreign Exchange; SASAC = State-Owned Assets Supervision and Administration Commission; GACC = General Administration of Customs of the People's Republic of China; STA = State Taxation Administration; MIIT = Ministry of Industry and Information Technology; CBIRC = China Banking and Insurance Regulatory Commission; CSRC = China Securities Regulatory Commission; MOJ = Ministry of Justice; MOST = Ministry of Science and Technology; MOT = Ministry of Transport.

Source: Own Chinese OFDI policy database; State Council (2020).

Between 1999 and 2019, MOFCOM is the most active ministry to announce changes to the existing OFDI policy framework, with 58 policy changes, followed by SAFE (33) and the NDRC (20). Four more government organs announced more than five policy changes in the same period (see Figure 1), next to 13 other departments (co-)enunciating each less than five OFDI policy changes (own constructed OFDI policy database).⁵

In the authoritarian-led economy, individual economic players do not have the political power to intervene in the policymaking process (Hu, Cui, & Aulakh, 2019). However, for selected OFDI policies, the government seeks public comments on draft versions of the policy (e.g., MOFCOM, 2012) or organizes conferences to understand the concerns of Chinese MNEs (Yan et al., 2018). This situation shows that it is not the MNEs that mainly and actively approach the government, but the government establishes a platform for feedback. Besides, as Streeck and Thelen (2005) highlight, structures and meanings of institutions, and thus policies, are not always influenced actively but change with the evolution of the external environment which surrounds them. This economic environment might include the firms, industrial development, and changes in macroeconomic factors. Thus, as Luo, Xue, and Han (2010) argued, structures of government organizations responsible for OFDI policymaking change with the development of China's OFDI growth path.

3.2. Economic home country developments and OFDI policy change

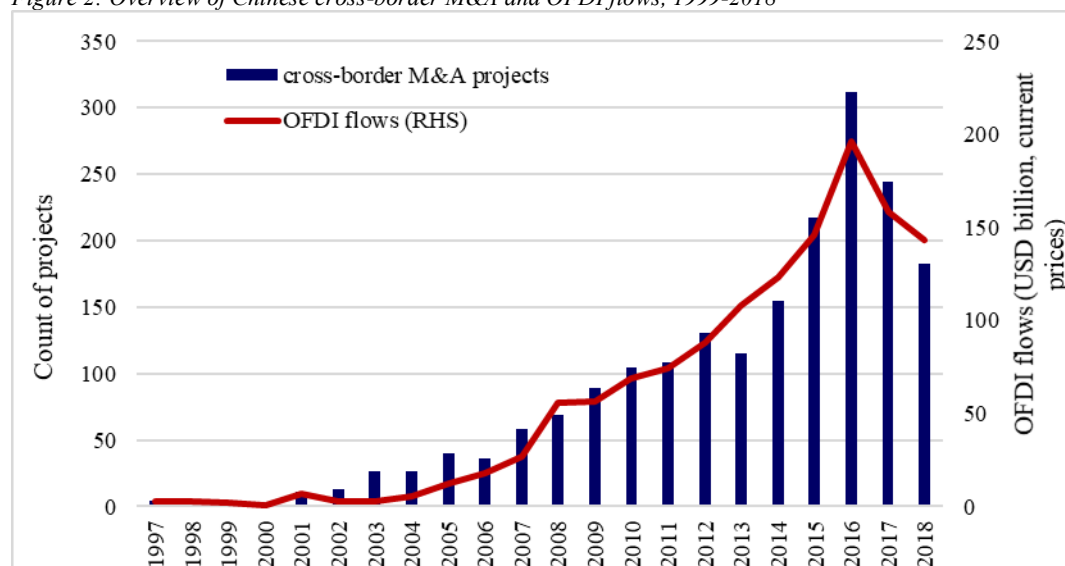
3.2.1. Firm internationalization

As highlighted in Figure 2, between 1999 and 2018, China's OFDI flows grew on average by 64 percent, and the count of cross-border M&As by 53 percent. The annual increase in OFDI is especially notable and cross-border M&As from 2015 to 2016. The significant decline, hereafter, leads to the question of whether this path was policy or market-driven. While China's

⁵ For a description on the government bodies, see Heilmann (2017).

policymakers use their power of market intervention regularly to drive the OFDI development, it is not always the case that Chinese MNEs follow their home-country guidance for investing abroad (e.g., L. Jones & Zou, 2017). Moreover, Chinese MNEs, due to their growing internationalization activities and growth in size, also gained the power to influence policymakers (Abdul-Gafaru, 2009; p. 53).

Figure 2: Overview of Chinese cross-border M&A and OFDI flows, 1999-2018

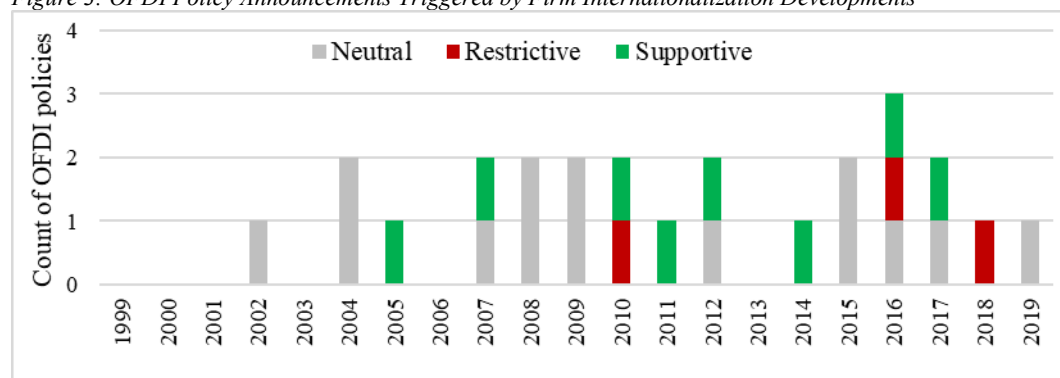


Source: Refinitiv; Bureau van Dijk Zephyr; UNCTAD (2020).

On the one hand, Chinese MNEs' OFDI became crucial for the home country's economic development and societal stability. As earlier studies reveal, MNEs' internationalization is connected to spillover effects on the home country, such as access to and imports of natural resources (Knoerich, 2016), higher (regional) growth of the home economy (Ali, Shan, Wang, & Amin, 2018; C. Chen, 2018; J.-E. Chen & Zulkifli, 2012), as well as technology development (Kokko, 2006). As a result of the potential for home-country spillovers, MNEs' OFDI is seen as a transmitter of home country economic growth and, thus, economic development (c.f., Dunning, 1981, 1986). In addition, the importance of firm internationalization for the home government can also be seen by the number of OFDI policies being implemented to steer OFDI (own database & OECD, 2019).

Conversely, OFDI is linked with factors that might harm the home economy's development (Kokko, 2006), for example, capital flight (Cui & Jiang, 2012; Jia, Yu, & Mingming, 2017) and the pressure this brings on the foreign exchange rate (c.f., Wolf, 2012). In China, and also previously in other Asian economies (Rasiah, Gammeltoft, & Jiang, 2010), the anxiety of large scale capital flight lead the government to react and implement stricter OFDI policies (Jia et al., 2017; c.f., Wang & Gao, 2018). For instance, the Chinese government implemented OFDI restrictive policies to respond to cross-border M&A deals being used by companies as a pretext of capital flight (c.f., Jia et al., 2017). With both harmful and supportive OFDI spillovers to the home economy, China's policymakers have to develop a middle way of policies steering OFDI (see Figure 3).

Figure 3: OFDI Policy Announcements Triggered by Firm Internationalization Developments



Note: All included policies state that China's OFDI development was a trigger for their publication.

Source: Authors.

With the acceleration of the OFDI activities of China's MNEs (see Figure 2), many home country government bodies amended their existing policies or introduced new ones, covering different aspects concerning China's cross-border direct investment. Where OFDI was initially supported by the government, with increasing levels, restrictive policies were implemented to set boundaries for internationalizing firms. For example, in 2005, MOFCOM and the Ministry of Foreign Affairs (MOFA) issued an update on the "Catalogue of Industrial Products for Foreign Investment Countries" to encourage OFDI and advance the development of the "going out" strategy (MOFCOM & MOFA, 2005). Furthermore, in 2007, a group of governmental bodies jointly published "opinions on encouraging private companies to invest abroad"

(MOFCOM, MOF, PBoC, & ACFIC, 2007). However, in 2010, the first OFDI restricting policy in my observation period, triggered by China's latest OFDI development, was announced. The Ministry of Finance (2010) canceled a regulation that allowed individuals to hold the SOE's share in its FDI project. With the cancelation, the Ministry of Finance aimed to reduce OFDI related asset management risks. To keep the essential administrative procedures in line with China's OFDI development, in 2011, the Chinese government decided to ease the process of gaining approval for OFDI by increasing the threshold level for which approval from central government institutions is necessary (NDRC, 2011).

Moreover, in 2016, China's National Development and Reform Commission (NDRC) started a public call for comments on its draft to enhance the administrative OFDI processes (NDRC, 2016). On the one hand, the administrative processes and related OFDI policies developed towards becoming more efficient. On the other hand, OFDI regulations that might harm China's economic development are either canceled or replaced by more restrictive policies. Thus, to limit the large scale capital outflows and tackle OFDI used as a vehicle for capital flight (Buckley, Sutherland, Voss, & El-Gohari, 2015; Pei, 2016), in 2016, the State Administration of Foreign Exchange (SAFE) introduced more restrictive policies on cross-border repatriation, requiring pre-approval through SAFE (Shen, Ruwitch, Zhong, & Glenn, 2016). The two-sided approach of announcing OFDI policies that are of a OFDI supportive nature and OFDI policies that restrict OFDI continued in 2017, with the released opinions of China's State Council on "Further Directing and Regulating the Direction of Overseas Investments" (State Council, 2017). In this policy, the State Council (2017) highlighted their favoring of a 'carrot and stick' approach for OFDI. In some sectors, OFDI is encouraged (e.g., Belt-and-Road Initiative related sectors) through benefits in the areas of taxation, foreign exchange, customs, information or insurance, in a few restricted (e.g., real estate, hotels, cinemas, entertainment, and sports clubs) and in selected cases prohibited (e.g., military, gambling). In addition, in 2018, a group of

governmental bodies published their opinion on “Guiding the Sound Development of Outbound Investment and Financing Funds” (NDRC et al., 2018), calling for a new OFDI ideology to tackle the misbehavior of some OFDI projects when raising funds for their internationalization activities.

As the documents of the highlighted OFDI policies mention, they were all implemented to some extent due to the development of China’s OFDI. With China’s MNEs holding a crucial position for the home country’s economic development, a large change in firm behavior might lead the government to react quickly, aiming to mitigate any associated risks or implement support mechanisms. Hence, I state the following hypotheses:

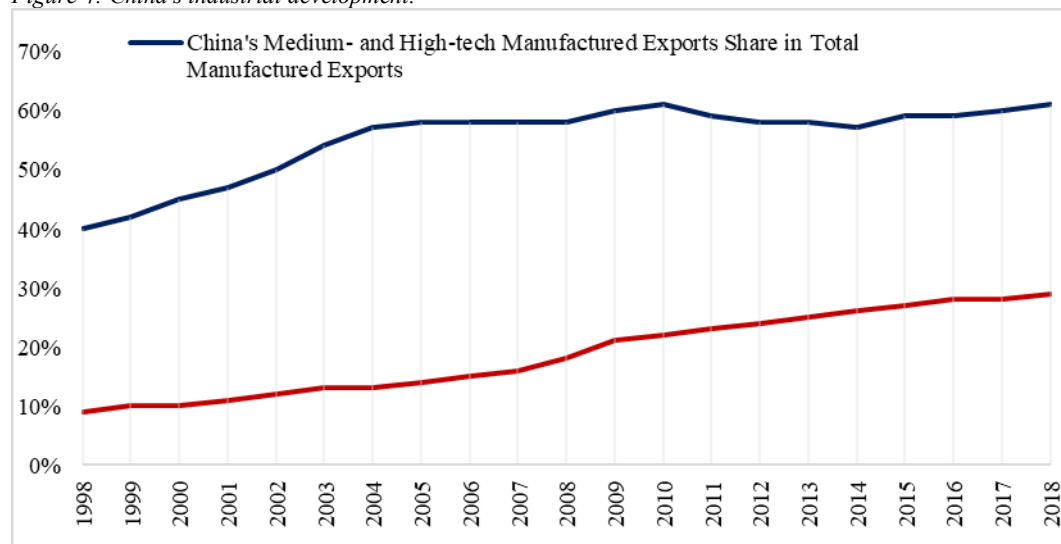
Hypothesis 1: A large increase in cross-border M&As leads to the announcement of more OFDI restrictive policies.

Hypothesis 2: The more China’s cross-border M&As increase, the more OFDI policies are announced.

3.2.2. Meso-economic developments

Between 1998 and 2004, China’s industrial upgrading process improved rapidly, with the share of medium- and high-tech manufactured exports on total manufactured exports (blue line; Figure 4) quickly climbing (1998: 40%, 2004: 57%). Hereafter, it stayed almost steady until 2018 and even went through a short period of decline (2010-2014). In the same period, China's impact on world manufacturing value addition (red line; Figure 4) increased steadily, from 9% in 1998 to 29% in 2018. However, since 2009, the growth rates were marginal. To catch up with industrialized countries, China needs to further shift towards high-value addition manufacturing and services.

Figure 4: China's industrial development.



Source: UNIDO (2020).

To reach economic prosperity, a common development strategy of (former) developing countries is to provide policy support for firms to invest abroad and acquire knowledge that is not available at home. Through the acquisition of technology and managerial advanced foreign firms, the aim is to transfer ‘know-how’ to the home-country (Morris, 2012; Virmani & Amann, 2015) and, on a national level, catch up with the frontrunner economies. As the literature shows, in comparison to industrialized economies, developing countries are still lagging behind in the industrial production, for example, high- and medium-high-tech manufacturing, and thus, struggle in their economic upgrading (Blomström & Kokko, 1998; Mathews, 2006; Virmani & Amann, 2015). However, the process of catching up with industrialized countries cannot be achieved through the market alone, but with the support of a proactive home government (Ozawa, 2014).

China now and before the East Asian newly industrialized countries (South Korea, Taiwan, Singapore, Hong Kong), and Japan, were able to transform their industries of competitive advantage (Nem Singh & Ovadia, 2018; Yeung, 2016: 2, 6). In 2003, China introduced a policy that is equipped with loans for particular OFDI projects, aiming at technological acquisition abroad. Specifically highlighting areas where China does not possess such know-how at home

and areas where China's industries appear to be working comparatively inefficiently. In addition, cross-border M&As might benefit from the policy if they improve the firms' international competitiveness (SDRC & ExIm Bank, 2003). Furthermore, in 2015, China's State Council (2015b) introduced the Made in China 2025 strategy to tackle the international non-competitiveness of its manufacturing sector. By promoting OFDI in advanced manufacturing industries, the government aims to catch up with industrialized countries in key manufacturing industries. In the same year, the State Council (2015a) also published its opinions on the "Promotion of International Production Capacity and Equipment Manufacturing Cooperation" to keep its policies in line with the industry's fast development. The State Council (2015a) plans to support companies' OFDI projects that can enhance the economy's international production capacity and improve the Chinese economy's industrial level. Besides, in 2016, a group of Ministries and working groups of the Chinese government jointly published their opinion, calling for policy support on firm internationalization, intending to enhance the integration of China's firms into the global value chain and the opportunity for industries to climb up the global value-chain (MOFCOM et al., 2016). As this reveals, China's government uses OFDI to upgrade its economy to higher value-added levels. Hence, large changes in the development of its industrial competitiveness or slower growth rates, compared to the industrial frontrunning countries, might lead the home government to implement supportive policies to tackle this development. This leads us to hypothesize that:

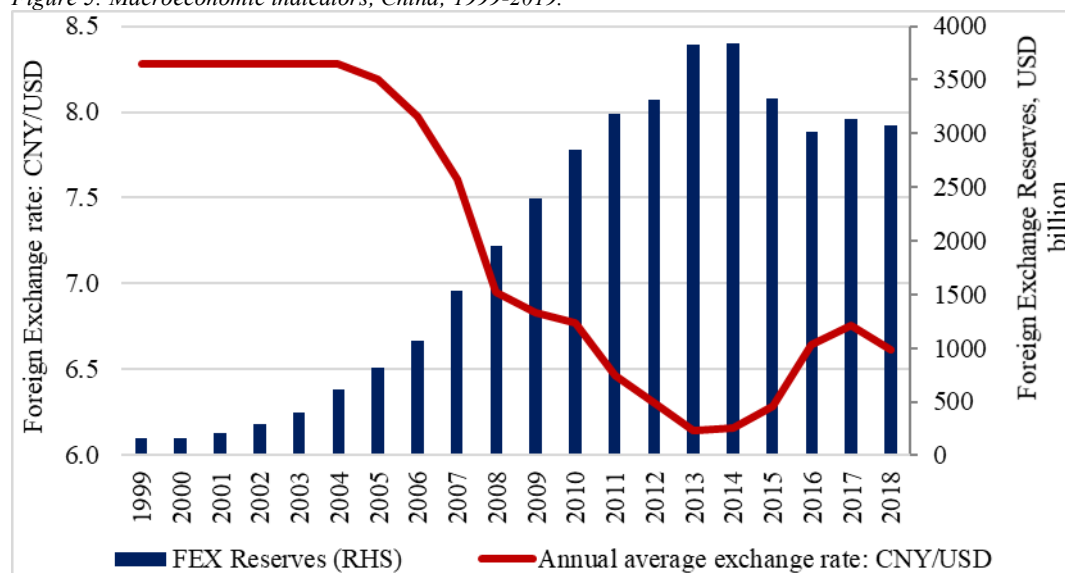
Hypothesis 3: A large increase in the gap between China's industrial upgrading as compared to high-income countries leads to more announcements of OFDI supporting policies.

Hypothesis 4: The more China's industrial development lags behind the high-income countries, the more OFDI supporting policies are announced.

3.2.3. Macro-economic developments

China's vast foreign exchange reserves are of utmost importance for the macroeconomic stability of the country (Buckley, Clegg, Cross, & Voss, 2010; UNCTAD, 1995, 2006) and for keeping its foreign exchange reserves within the range to its peg - a US-Dollar dominated international basket of currencies (Barghini, 2017). With its currency coming under devaluation pressure, e.g., through changes in the interest rate in the United States or a negative Chinese FDI balance (c.f., Sun & Ma, 2005), large amounts of foreign capital reserves need to be sold to be able to purchase and hence, strengthen the CNY (SAFE, 2020; Setser, 2019). A large sell-off of foreign exchange reserves, as visible in Figure 5, happened on a large scale in 2015 and 2016 to counteract the devaluation of the Chinese Yuan.

Figure 5: Macroeconomic indicators, China; 1999-2019.



Source: SAFE (2020).

As threats to the foreign exchange rate, and thus to the accumulated foreign exchange reserves, are partially due to developments in the home country, e.g., many firms investing abroad, home country policymakers in China have the chance to intervene. For example, this happened in 2016, with the Chinese government implementing new, tighter policies on currency controls targeting OFDI transactions (Barghini, 2017; Zenglein & Kärnfelt, 2019). However, as for the Chinese situation, the foreign exchange rate development and with that the level of foreign

exchange reserves is not only driven by home country developments but also international ones. Consequently, I derived the following two hypotheses:

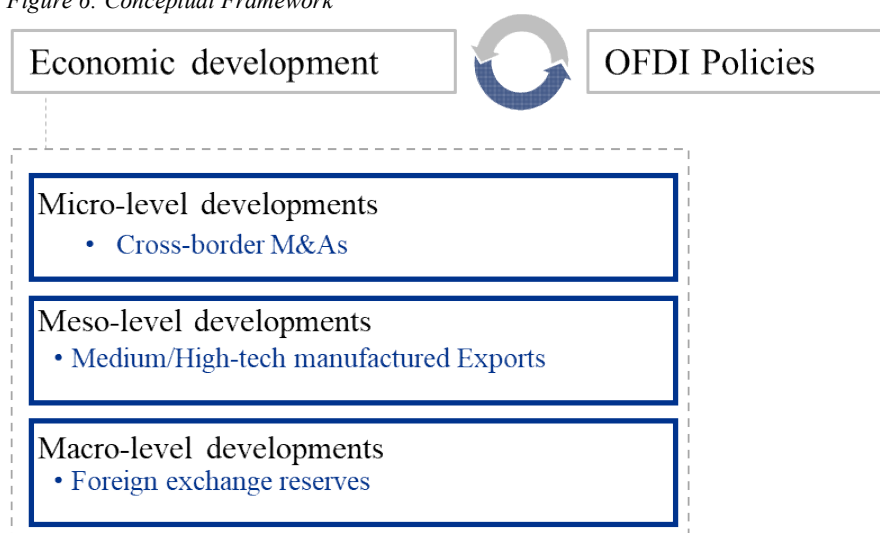
Hypothesis 5: A large decline in China's foreign exchange reserves leads to the announcement of more OFDI restrictive policies.

Hypothesis 6: The more China's foreign exchange reserves decline, the more announcements of OFDI restrictive policies.

3.3. Conceptual Framework

My conceptual framework reflects the interconnectedness between OFDI policy changes and economic developments in China. Where the IB literature studied the effects of OFDI policy on firm internationalization (Du & Zhang, 2018; Lu, Liu, & Wang, 2011; Lu et al., 2014), in this paper, I am interested in studying its feedback effect, i.e., changes in the economic development leading to OFDI policy change. In the context of a centrally planned economy, it is important to consider developments on the industry and macroeconomic level, as contagion effects between the firm, industry, and macro levels are felt more strongly. Hence, I build my analysis considering all three economic levels (see Figure 6).

Figure 6: Conceptual Framework



4. Methodology

4.1. Data and Variables

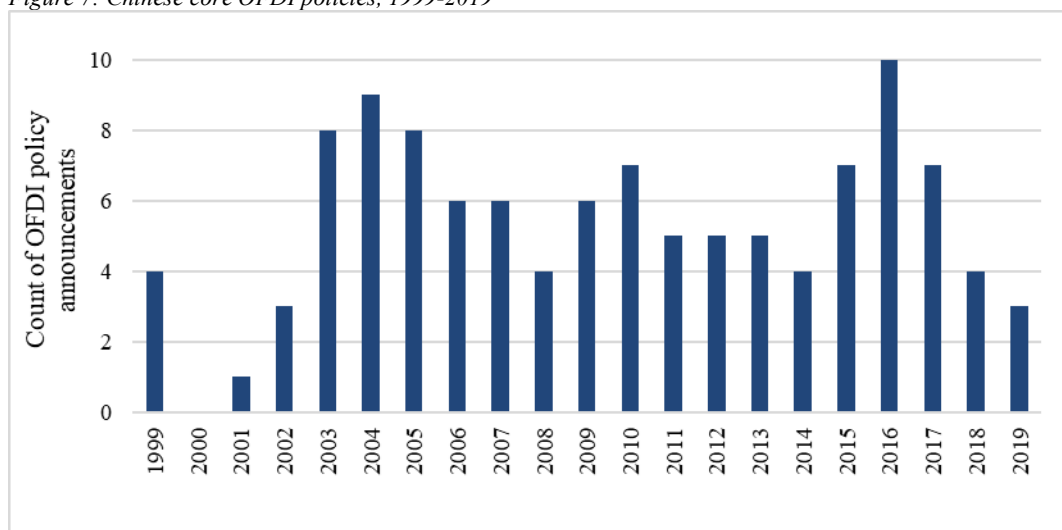
The study of policy change requires theoretically the coverage of at least two points in time (Tosun & Schnepf, 2020). Nevertheless, policy change literature suggests studying an extended period to understand the process correctly (e.g., Jenkins-Smith et al., 2017; Sabatier, 1988). I have focused on one country, China, to gain an extensive understanding of the determinants influencing OFDI policy change (c.f., Sanders, 2006). As I am interested in the development of China's OFDI policies coming from changes in firm internationalization, the industrial catch-up process, and macroeconomic movements, I have covered China's primary period of OFDI policymaking, starting with the announcement of the "go global" policy in 1999, and continuing until 2019. My independent variables cover 1999 to 2018.

I have initially included 155 OFDI policies. Defining policies, I follow Clegg (2019) and Utesch-Xiong (2021) and see them as "a principle or course of action" (Hornby et al., 2010), where policies and institutions ("an established law, custom"; Hornby et al. (2010)) are at different political levels (Streeck & Thelen, 2005, p. 12). From my first set of OFDI policies, I excluded 42 documents as these have either other main focuses than OFDI (e.g., the Notice on Adjusting the Publication Cycle of Statistics Journals of FDI; MOFCOM & SAFE (2009)), are subordinated to and not changing their superior OFDI policy (e.g., the Notice on Launching the Network System for the Recordation Administration of Overseas Investment Projects Nationwide; NDRC (2014)), or were too specific to be of relevance for my study⁶ (e.g., the Circular on the Relevant Issues concerning the Administration of Foreign Exchange for Overseas Investments of Border Areas; SAFE, 2005). In addition, I have also excluded China's

⁶ Not all developments, across the topics covered by OFDI policies, carry the same potential of spillovers to other OFDI policy areas. Hence, those least likely to lead to spillovers on other OFDI policy areas are excluded in my research. These are, on my opinion, OFDI policies focussing on areas with geographical disputes, policies that are specific on economic zones and trade cooperation, focus on Taiwan as a host country, or either cover merely loans or special-purpose vehicles.

national five-year plans, as well as announcements that merely list abolished policies. The former is not considered due to their coverage of many topics, next to OFDI, and the existence and consideration of OFDI specific five-year plans in this paper. The remaining 108 OFDI policies (Figure 7) include announcements specific to different forms of firm ownership and industries, as it is assumed that spillover effects exist between industries and across ownerships.

Figure 7: Chinese core OFDI policies, 1999-2019



Source: Authors

My approach, using as the outcome variable the count of policies announced in a specific year between 1999 to 2019, is a standard procedure in policy studies (e.g., Arnold & Long, 2019; Bromley-Trujillo & Poe, 2020; Homsy, 2020). Where I understand that the count of policies might not be able to give insights into the importance of the individual policies, it reflects the more general focus that the government puts on OFDI in a year (c.f., Galeotti, Rubashkina, Salini, & Verdolini, 2018; Samant, Thakur-Wernz, & Hatfield, 2020). Furthermore, with a count outcome variable, researchers found that the number of existing policies might influence the announcement of new ones (Burns & Tobin, 2016). However, this should be less of a problem for my analysis, covering 1999-2019. In the first twenty years of China's opening up (1979-1998), comparatively few OFDI policies were announced (18 core policies).

The explanatory variables of my analysis reflect the development in cross-border M&As of Chinese firms ($M\&A$; $M\&A_shock$), the process of China's industrial catch up to high-income

countries (*MHXsh*; *MHXsh_shock*), as well as China's macroeconomic development and dependence on its foreign exchange reserves (*Fx_reserves_dec*; *Fx_reserves_shock*).

By using the count of cross-border M&As (*M&A*), I cover most of China's global FDI activities (c.f., Hanemann, Rosen, Gao, & Lysenko, 2020; Kratz, Huotari, Hanemann, & Arcesati, 2020) and follow standard practice in IB research (e.g., Alimov, 2015; Clougherty, Gugler, Sörgard, & Szücs, 2014). For proxying the industrial advancement of a country, the *MHXsh* measure is often included in the literature (e.g., Narayanan & Wah, 2000; UNIDO, 2013), which I also follow in my paper. To represent the characteristics of the Chinese dependence on having stable macroeconomic indicators, I use China's foreign exchange reserves (*Fx_reserves_dec*) due to their importance for adjusting the pegged foreign-exchange rate. Foreign exchange rate and FDI balance were not considered due to high levels of correlation.

I am also interested in situations where they have an annual change larger than what is usually observed for all these three variables. When studying the influence of this large change on the dependent variable, I follow the literature (e.g., Delios, Xu, & Beamish, 2008; Han, Kang, Salter, & Yoo, 2010; Hu et al., 2019) and define "large" as being greater than the mean (see Table 1).

I include a set of control variables in my models to cover developments on the firm-, industry-, and macro-level. In all models studying large changes (1 & 3), but in Model 5, I include as control variables the main continuous change variables of the economic levels (*M&A*, *MHXsh*, *Fx_reserves_dec*) not being at the core focus in the respective model. Furthermore, I add in each Model control variables that proxy developments on the respective economic level that I focus on. Hence, in my micro-level Models (Model 1 & 2), I control for the closeness to the state with a variable covering the cross-border M&A activities of central SOEs (*M&A_csoes*). Thereby, I follow the literature, which argues that central SOEs are, on the one hand, under specific pressure by the Chinese state (J. Li, Xia, Shapiro, & Lin, 2018) and being used as policy

tools to reach macroeconomic aims (M. H. Li, Cui, & Lu, 2014), and, on the other hand, are better equipped and have better connections to policymakers (J. Li, Meyer, Zhang, & Ding, 2018). On the industry level (Model 3 & 4), I control for the level of China's industrialization and its integration into the global manufacturing network by considering China's share in global manufacturing value-addition (Singh, 1989; *World_manuf_VA*).

In Models 5 and 6, I focus on macroeconomic changes. As the achievement of long-term high economic growth levels (O'Callaghan & Vivoda, 2013) and with that high levels of national welfare and the core evaluation factor in China for politicians (Liu, 2018), I control for the development of China's economy by including its gross domestic product (GDP) growth rate (*GDP_growth*). In addition, as inflation and economic growth are highly intertwined (Klein & Shambaugh, 2015), higher inflation rates risk the aim of achieving economic growth in the longer perspective (B. D. Jones & Baumgartner, 2005, p. 77), and also increases the chances of bringing instability to other macroeconomic indicators (e.g., China's central interest rate), I control for annual changes in the inflation rate (*inflation*). Furthermore, with changes in the status of China's FDI balance (i.e., net acquisitions of FDI assets being smaller than net incurrences of FDI liabilities; OECD, 2008, pp. 59-90), its policymakers might be more or less prone towards OFDI (e.g., Hanemann & Rosen, 2016; Mee & Botham, 2019). Hence, as I consider Chinese cross-border M&A activities in my study, I also include a control variable for inward FDI.

I summarize my explanatory variables in Table 1, where I have included next to the descriptions of my proxies and the expected signs of coefficients, also the data sources.

Table 1: Overview of expected signs, proxies, and theoretical justifications.

Table 1: Overview of expected signs, proxies, and theoretical justifications.

Abbreviation, expected sign of coefficient, and variable description	Variable type	Data sources
<i>Dependent variables</i>		
1. Count of home country OFDI policies (<i>OFDIpolicies</i>)		Own database
2. Count of either supportive (<i>OFDIpolicies_sup</i>) or restrictive (<i>OFDIpolicies_rest</i>) home country OFDI policies		
<i>Independent variables</i>		
<i>M&A_shock</i> (+); Annual increase of Chinese cross-border M&A projects larger than its average increase = 1 (large increase), otherwise 0.	Main	Bureau van Dijk Zephyr; Refinitiv
<i>M&A</i> (+); Count of Chinese cross-border M&A projects, annual change.	Main	Bureau van Dijk Zephyr; Refinitiv
<i>MHXsh_shock</i> (+); Annual increase of the difference between the development of the medium- and high-tech manufactured exports share in total manufactured exports in high-income countries and China, larger than its average increase = 1 (large increase), otherwise 0.	Main	UNIDO (2020)
<i>MHXsh</i> (+); Difference between the annual change of the medium- and high-tech manufactured exports share in total manufactured in high-income countries and China. ⁷	Main	UNIDO (2020)
<i>Fx_reserves_shock</i> (+); Annual decline of foreign exchange reserves (billion US-Dollar, current prices) larger than its average decline = 1 (large decrease), otherwise 0.	Main	SAFE (2020)
<i>Fx_reserves_dec</i> (+); Annual change of foreign exchange reserves (billion US-Dollar, current prices); Declines have a positive notation, whereas increases are negatively notated.	Main	SAFE (2020)
<i>M&A_csoes</i> (+); Count of central SOEs' cross-border M&A projects, annual change.	Control	SASAC (2017); Bureau van Dijk Zephyr; Refinitiv
<i>World_manuf_VA</i> (+); Impact of China on world manufacturing value added (% share in world manufacturing value addition).	Control	UNIDO (2020)
<i>GDP_growth</i> (+); China's gross domestic product, annual growth rate (%). Constant 2010 US-Dollar, not seasonally adjusted.	Control	OECD (2020)
<i>Inflation</i> (+); China's inflation rate, annual change (in percentage points). Index 2015=100, not seasonally adjusted.	Control	OECD (2020)
<i>IFDI</i> (+); Annual change of inward FDI flows (billion US-Dollar, current prices).	Control	UNCTAD (2020)

⁷ I was not able to use the non-export alternative of my *MHXsh* variable due to missing data from 2009 onwards (UNIDO, 2013, 2020).

4.2. Modeling Approach

As the dependent variable consists of discrete, non-negative integers, a poisson or negative binomial model is deemed appropriate (Greene, 2011). To test which of both approaches is a better fit and whether their zero-inflated or non-inflated model should be selected, I conducted information criteria tests based upon the Akaike information criterion (AIC) and the Bayesian information criterion (BIC) (Greene, 2011). The results showed a preference for the non-inflated Poisson approach. The likelihood ratio test ($\alpha = 0$) is insignificant at the five percent level throughout my models. Hence, the negative binomial regression is not more appropriate for my data than the poisson model, confirming the information criteria tests' results.

Furthermore, as my models also show characteristics of being slightly overdispersed, I analyzed the dispersion characteristics ((1/df) Pearson; (1/df) Deviance) and found that all results are below the critical threshold of two (Borror, 2008, p. 187). Additionally, I compared the AIC results for running a poisson and a generalized poisson regression, as the latter controls for under- and overdispersion (Hilbe, 2014, p. 216). As the results of the generalized and non-generalized Poisson approaches were very close to one another or lower for the poisson regression, I found that the latter fits better to my data.

Furthermore, with my analysis being on the national level of one country, studying OFDI policies across time, as suggested for studies on the policy process (e.g., Gray, 1973), I employ a time-series regression. With only 21 years of OFDI policies being covered (1999-2019), my dataset can be categorized as a relatively small sample (e.g., Maggioni, Nelson, & Mazmanian, 2012). As with my short time-period, I face the risk of an over-fitting regression when already including only a few independent variables - *i.e.*, the 95% confidence interval overlaps the variable coefficients (Lazzaro, 2014). I do not find an over-fit in any of my regressions. The likelihood ratio tests (Bellocco & Algeri, 2013) further reveal no sign of a lack of fit in my models.

I employ the Newey-West standard errors in my regressions, correcting potential autocorrelation and heteroscedasticity (West & Newey, 1993). As my statistical program (Stata, version 14.0) does not automatically consider the appropriate correction factor for the time-series Newey-West standard errors, I calculate it manually, following StataCorp (2009, p. 534). By lagging all but the dependent variable, I additionally account for the potential of reverse causality, i.e., that OFDI policies might affect my independent variables. However, I acknowledge that reverse causality might not be entirely delimited by following this approach (specifically when considering path dependence). Nevertheless, it decreases the chances and ensures, as much as possible, that I study the right direction of the effect.

I present my results as incidence rate ratios (IRR) - the exponentiated Poisson regression coefficients - to make the coefficient interpretation easier (Borrer, 2008, p. 223). My regression outcome with standard coefficients can be found in Appendix 1. Using the IRR, the predicted value of the dependent variable (count of policies) represents a percentage change related to a one-unit increase of the explanatory variable while holding all other variables constant (Hilbe, 2014, pp. 60–61).

5. Results

In Table 2, I test for existing multicollinearity, employing the variance inflation factor (VIF). The mean VIF is at 4.82, with all values being below the threshold value of ten, showing no multicollinearity issue (Brown, Yaşar, & Rasheed, 2018; Chatterjee & Hadi, 1986). In Table 2, I also show the pairwise correlation matrix of my variables. I controlled for the high correlations existing for some of my variables by running separate regressions, or if run together, testing their influence on one another. If found as non-problematic, I kept the variables in one regression. In model 5 (Table 3), I excluded *M&A* and *MHXsh*, due to a high correlation with the main interest variable *Fx_reserves_shock*.

Table 2: Pairwise correlation matrix and descriptive statistics

Variables	1	2	3	4	5	6	7	8	9	10	11
1. OFDI policies	1.00										
2. OFDIpolicies_res	0.16	1.00									
3. OFDIpolicies_sup	0.72	-0.04	1.00								
4. M&A_shock	0.39	0.37	0.45	1.00							
5. M&A	0.43	0.27	0.48	0.69	1.00						
6. MHXsh_shock	-0.01	-0.15	-0.30	0.09	0.09	1.00					
7. MHXsh	-0.16	0.10	0.13	0.48	0.30	0.48	1.00				
8. Fx_reserves_shock	0.34	0.55	0.32	0.79	0.68	-0.07	0.34	1.00			
9. Fx_reserves_dec	0.13	0.16	0.29	0.67	0.34	0.01	0.46	0.72	1.00		
10. M&A_csoes	0.07	-0.15	0.12	0.19	0.41	-0.33	-0.19	0.04	-0.16	1.00	
11. World_manuf_VA	0.20	0.05	0.14	0.03	0.28	0.02	0.11	0.02	-0.32	0.11	1.00
12. GDP_growth	0.14	-0.10	-0.15	0.42	0.05	-0.13	-0.44	-0.36	-0.60	0.19	0.16
13. Inflation	0.16	-0.15	0.12	0.04	0.04	0.11	0.05	0.02	-0.35	0.25	0.05
14. IFDI	0.12	-0.10	-0.13	0.06	0.02	-0.20	-0.30	-0.07	-0.26	0.40	-0.09
Mean	5.1	0.6	2.0	0.1	8.3	0.0	-1.9	0.1	134.9	0.8	1.0
Standard deviation	2.3	0.9	1.5	0.4	34.2	0.2	2.8	0.3	252.6	6.2	0.7
Minimum	0.0	0.0	0.0	0.0	-69.0	0.0	-7.0	0.0	510.0	-10.0	0.0
Maximum	9.0	3.0	5.0	1.0	96.0	1.0	4.0	1.0	513.0	13.0	3.0
VIF				6.2	9.4	3.1	3.0	8.2	8.0	2.8	1.9

Variables	12	13	14
12. GDP_growth	1.00		
13. Inflation	0.25	1.00	
14. IFDI	0.34	0.65	1.00
Mean	9.0	1.6	4.4
Standard deviation	2.0	1.6	8.4
Minimum	6.6	-1.0	-14.2
Maximum	14.2	4.8	24.8
VIF	3.1	4.7	2.8

Note: N = 21; two-tailed tests; absolute values greater than 0.43 (in bold) are statistically significant at the level of $p \leq 0.05$ in the pairwise correlation matrix.

Below, in Table 3, the results of my GLM Poisson regression are presented. In Model 1, I test my first hypothesis, focusing on the effect of large-scale changes in Chinese cross-border M&A on the announcement of home country OFDI restricting policies. Model 2 tests hypothesis 2, with the development of China's cross-border M&A and its effect on OFDI policies' announcement. Model 3 then analyses the situations where China's industrial development lags largely behind high-income countries and the OFDI supportive policies (hypothesis 3). Model

4 follows a similar approach; however, focusing on the effect of a marginal lagging of China's industry and the announcement of OFDI supportive policies, thereby testing hypothesis 4. Model 5 considers a large drop in China's foreign exchange rate reserves and the OFDI restrictive policy reaction (hypothesis 5). Finally, in Model 6, I test my sixth hypothesis, where the same relationship as in Model 5 is analyzed, but from a position of a marginal foreign exchange reserve decline.

Table 3: Poisson Models with IRR

<i>DV: OFDI Policies</i>	<i>Restrictive</i>	<i>All</i>	<i>Supportive</i>	<i>Supportive</i>	<i>Restrictive</i>	<i>Restrictive</i>
<i>Economic level</i>	<i>Micro</i>	<i>Micro</i>	<i>Meso</i>	<i>Meso</i>	<i>Macro</i>	<i>Macro</i>
<i>Variables/ Hypotheses</i>	<i>H1</i>	<i>H2</i>	<i>H3</i>	<i>H4</i>	<i>H5</i>	<i>H6</i>
M&A_shock	5.437* (5.548)					
M&A		1.009** (0.005)	1.008*** (0.003)	1.009*** (0.002)		1.007 (0.007)
MHXsh_shock			1.970*** (0.124)			
MHXsh	0.941 (0.109)	0.929 (0.049)		0.967 (0.103)		0.897 (0.144)
Fx_reserves_shock					5.469*** (2.886)	
Fx_reserves_dec	0.999 (0.002)	1.000 (0.000)	1.000 (0.000)	1.000 (0.001)		1.001 (0.001)
M&A_csoes	1.000 (0.026)	0.980* (0.010)				
World_manuf_VA			1.135 (0.152)	1.155 (0.107)		
GDP_growth					1.104 (0.118)	0.966 (0.158)
Inflation					1.368** (0.183)	1.567** (0.330)
IFDI					0.946** (0.023)	0.930* (0.039)
Constant	0.321* (0.191)	4.040*** (1.009)	1.561*** (0.260)	1.524* (0.377)	0.120* (0.154)	0.379 (0.563)
Observations (years)	21	21	21	21	21	21

Note: *, **, *** mean significant at, respectively, 10%, 5%, 1% level; Newey–West standard errors are in paranthesis

In addition to my core analysis presented in Table 3, with the count of cross-border M&A as the micro-economic variable, in a preliminary regression, I used OFDI flows instead. As both results do not differ vastly, I focus on cross-border M&A projects in the central part of the text and include the results considering OFDI flows in

Appendix 2.

Model 1 reveals a significant and positive coefficient estimate (IRR 5.437, $p = 0.097$) of a large increase in Chinese cross-border M&A (*M&A_shock*). This result shows that a firm-level shock leads to an increase in the announcement of home country OFDI restrictive policies by 443% more than a non-shock while holding all other variables constant. With my positive and significant result for the continuous cross-border M&As (*M&A*; IRR 1.009, $p = 0.039$), I show in Model 2 that each additional cross-border M&A project leads to 0.9% more announcements of OFDI policies. For the cross-border M&As of central SOEs, I find significant but contradicting results (IRR 0.980, $p = 0.053$), revealing that with each additional cross-border M&A project, the announcement of OFDI policies decreases by 2%. In Model 3, my coefficient estimate of a negative shock in China's industrial catch-up process (*MHXsh_shock*) is positive and highly significant (IRR 1.970, $p = 0.000$). This finding indicates that compared to a non-shock situation of lagging behind high-income countries, the announcement of OFDI supportive policies increases by 97.02%. Furthermore, with each additional cross-border M&A project (*M&A*), the announcement of OFDI supportive policies increases by 0.8%, as shown with the highly significant and positive result (IRR 1.008, $p = 0.001$). In Model 4, I find an insignificant result for my coefficient estimate of continuous industrial development comparison between China and high-income countries (*MHXsh*; IRR 0.967, $p = 0.755$). Moreover, the result shows that with each additional unit lagging behind the high-income countries' annual change in industrial development, China's OFDI policymakers decrease the announcement of OFDI supportive policies by 3.26%. However, as in Model 3, I also find in Model 4 that with each additional cross-border M&A project (*M&A*), the announcement of OFDI supportive policies increases by 0.9%, as shown with the highly significant and positive result (IRR 1.009, $p = 0.000$). The coefficient estimate in Model 5 of a negative shock in China's foreign exchange reserve (*Fx_reserves_shock*) is strongly positive and highly significant (IRR

5.469, $p = 0.001$). This reveals that compared to a non-shock, the announcement of OFDI restrictive policies increases by 447%. The annual change in China's inflation rate is significant and positive (*Inflation*; IRR 1.368, $p = 0.019$), and the annual change in inward FDI flows significant and of decreasing character (*IFDI*; IRR 0.946, $p = 0.022$). With each additional unit of inward FDI, the announcement of OFDI restrictive policies decreases by 5.44%. In Model 6, the coefficient estimate of a negative foreign exchange reserve development (*Fx_reserves_dec*) is positive but insignificant (IRR 1.001, $p = 0.336$). This result shows that with each additional unit, the announcement of OFDI restrictive policies increases by 0.1%. In line with Model 5, also in Model 6, the annual change in China's inflation rate is significant and positive (*Inflation*; IRR 1.567, $p = 0.033$), and the annual change in inward FDI flows significant and of decreasing character (*IFDI*; IRR 0.930, $p = 0.083$). Thus, with each additional inward FDI unit, the announcement of OFDI restrictive policies decreases by 7%.

Table 4: Summary of Results

Hypothesis	Expected sign	Result
H1: A large increase in OFDI leads to the announcement of more OFDI restrictive policies.	(+)	(+), significant
H2: The more China's OFDI increases, the more OFDI policies are announced.	(+)	(+), significant
H3: A large increase in the gap between China's industrial upgrading as compared to high-income countries leads to more announcements of OFDI supporting policies.	(+)	(+), significant
H4: The more China's industrial development lacks behind the high-income countries, the more OFDI supporting policies are announced.	(+)	(-), insignificant
H5: A large decline in China's foreign exchange reserves leads to the announcement of more OFDI restrictive policies.	(+)	(+), significant
H6: The more China's foreign exchange reserves decline, the more announcements of OFDI restrictive policies.	(+)	(+), insignificant

6. Discussion, Limitations, and Future Research

6.1. Discussion

In this paper, I study the *feedback loop* between China's OFDI policymakers and, firstly, the internationalization of its MNEs, secondly, the home country's industrial development, and, thirdly, its macroeconomic stability. Distinguishing between continuous developments and large-scale changes (shocks) on all of these ex-policy levels, I find that shocks influence the announcement of OFDI policies in the home country on the micro, meso, and macro levels. In contrast, the effect of a continuous change on policymaking can only be confirmed at the firm-level. Comparing the results of the different types of change, the effect of shocks is much larger on policymakers than a non-shock change.

With my study, I contribute to the IB and political literature by expanding and enhancing extant research on the firm-government relationship and policymaking in the context of China (e.g., Dahan, Doh, & Guay, 2006; Deng & Kennedy, 2010; He & Tian, 2008; Tian & Deng, 2007). Where current research focuses mainly on CPA through different channels of direct lobbying (e.g., Banerjee, Venaik, & Brewer, 2018; Cui et al., 2018; Lord, 2000; Patnaik, 2019) and the direct policy feedback given by (state-owned) companies (Kennedy, 2005, pp. 74–75; Yan et al., 2018), I contribute by adding an indirect perspective to the firm-government relationship. My findings show that the feedback effect of OFDI on home country policymakers plays an essential role in China's guided economic system. With a higher than average annual increase of cross-border M&A projects, home country policymakers might feel that with a large-scale capital flight abroad, not only the macroeconomic stability (e.g., Buckley et al., 2010) and long-term economic development – one of the policymaking's essential aims (e.g., Sauviant & Chen, 2014) – is at risk, but also managers of firms might shift private capital illegally earned, abroad (Heilmann & Stepan, 2017). Thus, as my results report, large annual increases in M&A projects lead to announcements of more OFDI restrictive policies. Sufficient examples confirm (e.g.,

MOFCOM & MOFA, 2005; NDRC, 2011; NDRC et al., 2018; State Council, 2017) that the feedback effect considering Chinese OFDI policies should not be seen as a mere econometric result but as an essential element of China's policymaking process. For instance, China's policymakers reacted to the OFDI spree of three large corporations, HNA Group, Fosun International, Dalian Wanda, by re-adjusting its OFDI policies (e.g., Bloomberg News, 2019; Goh, 2017; Jia et al., 2017). In this specific case, cross-border investments in selected host industries were restricted to the extent that they need to go through a pre-investment approval process of the NDRC (2017, 2018).

Concerning the critical companies of China's economy, its central state-owned enterprises (CSOEs) (Song, 2018), I find that with an increase in M&A projects abroad, the number of OFDI policy announcements decreases. This, I find, might be explained by their close strong state affiliation (J. Li, Meyer, et al., 2018) and their operation as an economic policy tool themselves (M. H. Li et al., 2014). It also reflects the influential role of CSOEs in their home country and their power to intervene in the policymakers' decision-making process (Sauvant, Maschek, & McAllister, 2010). I argue that CSOEs' feedback loop to home country policymakers might be on a direct, political level instead of through a channel of firm behavior observation and policy reaction.

I furthermore add to IB research on home country OFDI policies by empirically confirming the argument of Luo, Xue and Han (2010) and others (e.g., Sauvant & Chen, 2014; Utesch-Xiong, 2021; Voss, Buckley, & Cross, 2009) that with developments of the home economy and firm internationalization, home country OFDI policies are amended or new ones implemented. My results show that to keep control of the OFDI environment's changes, the Chinese government reactively and amends its policy framework. With an increase in the number of cross-border M&As, the count of OFDI policy announcements gets larger, and hence, my feedback loop argument gains further support.

I contribute to IB research by theoretically introducing and empirically testing the incrementalism and non-incrementalism approaches of policy change to the IB context. I do this, distinguishing between continuous and large-scale (shock) changes in the firm-, industry-, and macroeconomic environment and its influence on the announcement of OFDI policies. Implementing policy change theoretically to IB research might help scholars who focus on policy change, as it allows to distinguish between the size of change (e.g., Baumgartner & Jones, 2002; Hall, 1989; Jackson & Deeg, 2008). With my results showing that the size of change matters for the governments' decision-making, distinguishing between large-scale and non-large-scale developments in the economic environment might be essential for creating relevant insights.

I also add value to the literature on China's economic development and centrally driven policymaking (e.g., Garnaut, Song, & Fang, 2018). While the literature highlights that industrial policies steer market players (Hofman, 2018; Naughton, 2015, p. 5), I find on its feedback loop that when the gap between China's industrial development and the development of high-income countries turns significantly larger negative (shock), China's policymakers intervene forcefully by announcing supportive internationalization policies. My finding shows the relevance of screening market developments carefully for governments of developing countries. With the aim of catching up to high-income economies (Ozawa, 2014), developing countries might also show a more substantial feedback effect in terms of an (OFDI) policy reaction to their industrial development process than developed economies. China's policymakers, for example, implemented wide-covering industrial policies, such as the Made in China 2025 strategy (State Council, 2015b), highlighting the aim of using OFDI as a tool (Gammeltoft, Pradhan, & Goldstein, 2010; Morck, Yeung, & Zhao, 2008) for catching up and eventually overtaking developed countries.

Moreover, I contribute to the literature on the relationship between China's strong economic dependence on the stability of its macroeconomic indicators (e.g., Setser, 2019) and OFDI policies. My results show that to counteract further large drops in its foreign exchange reserves, China's home country policymakers react with an increase in the announcement of OFDI restrictive policies. This finding confirms the argument made by Buckley et al. (2010) on developing countries or Cui and Jiang (2012), considering China that centrally controlled countries largely depend upon foreign exchange reserves. The effect of a large decrease in foreign exchange reserves seems to reflect the Chinese government's sensibility on this macroeconomic dependence. With a devaluating exchange rate, the Chinese government sells foreign exchange reserves to keep the Chinese Yuan's exchange rate and the basket of foreign currencies in its fixed range (SAFE, 2020; Setser, 2019). My findings on the control variables of inward FDI and inflation additionally contribute to the argument of China's dependence on stable macroeconomic indicators for its economic development.

6.2. Limitations and Future Research

Of course, this type of research comes not without its limitations. Firstly, I was only able to cover a relatively short period of 21 years, limiting my ability to study longer-term changes. Additionally, I defined a shock, respectively a large change, as more extensive than the mean of the respective independent variable (e.g., Delios et al., 2008; Han et al., 2010; Hu et al., 2019), which makes a direct comparison between the effects of the individual independent variables difficult. Standardizing the independent variable was not an option, as I am interested in the effect's direction. Finally, as my aim with this article was to study the external perturbations that determine OFDI policy change on a broader level, I included a period covering a wide scope of OFDI related government publications. Hence, I was not able to study policy dynamics as understood by Hall (1993), as this would have required us to segment and follow each document's subparts (means, ends, policy outputs), which would have exceeded

the scope of this paper. However, I see the great potential for research on policy-path dependence in the IB context. Furthermore, I see the opportunity to study how external developments influence China's OFDI policies differently, leading to policy shock or small policy change as an outcome.

7. Concluding note

My paper provides insights on how developments on the firm-, industry-, and macroeconomic levels influence OFDI policymaking in the home country. While I study this feedback effect focusing on China, its results might be generalized to other developing economies that intervene in the internationalization of their firms, such as Brazil (Caseiro & Masiero, 2014), India, or Morocco (Sauvant et al., 2014). Furthermore, developing countries often share similar characteristics, such as a fixed exchange rate system (UNCTAD, 2006) or common development aims, e.g., to catch up in their industrial development to industrialized countries (Ozawa, 2014). Hence, my results might also be generalized to these economies.

Studying the feedback effect of economic developments on home country policymaking, I hope to have answered a few questions, but even more so, to have opened a research path for IB scholars, which helps us understand reactive policymaking considering developments in cross-border firm activities more clearly. In addition, I believe that my findings are also of interest for policymakers, as it sheds light on different types of economic determinants triggering feedback effects, and for managers, as I provide insights into the policy reactions that developments in firm-behavior can provoke.

Appendix

Appendix 1: Poisson Models with standard coefficients; M&A

<i>DV: OFDI Policies</i>	<i>Restrictive</i>	<i>All</i>	<i>Supportive</i>	<i>Supportive</i>	<i>Restrictive</i>	<i>Restrictive</i>
<i>Economic level</i>	<i>Micro</i>	<i>Micro</i>	<i>Meso</i>	<i>Meso</i>	<i>Macro</i>	<i>Macro</i>
<i>Variables/ Hypotheses</i>	<i>H1</i>	<i>H2</i>	<i>H3</i>	<i>H4</i>	<i>H5</i>	<i>H6</i>
M&A_shock	1.693* (1.020)					
M&A		0.009** (0.005)	0.008*** (0.003)	0.009*** (0.002)		0.007 (0.007)
MHXsh_shock			0.678*** (0.063)			
MHXsh	-0.060 (0.116)	-0.073 (0.053)		-0.033 (0.106)		-0.109 (0.161)
Fx_reserves_shock					1.699*** (0.528)	
Fx_reserves_dec	-0.001 (0.002)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.001)		0.001 (0.001)
M&A_csoes	-0.000 (0.026)	-0.021* (0.011)				
World_manuf_VA			0.127 (0.134)	0.144 (0.092)		
GDP_growth					0.099 (0.107)	-0.034 (0.164)
Inflation					0.313** (0.134)	0.449** (0.211)
IFDI					-0.056** (0.024)	-0.072* (0.042)
Constant	-1.137* (0.597)	1.396*** (0.250)	0.445*** (0.166)	0.421* (0.247)	-2.124* (1.290)	-0.970 (1.486)
Observations (years)	21	21	21	21	21	21

Note: *, **, *** mean significant at, respectively, 10%, 5%, 1% level; Newey–West standard errors are in parentheses.

Appendix 2: Poisson Models with IRR; OFDI

<i>DV: OFDI Policies</i>	<i>Restrictive</i>	<i>All</i>	<i>Supportive</i>	<i>Supportive</i>	<i>Restrictive</i>	<i>Restrictive</i>
<i>Economic level</i>	<i>Micro</i>	<i>Micro</i>	<i>Meso</i>	<i>Meso</i>	<i>Macro</i>	<i>Macro</i>
<i>Variables/ Hypotheses</i>	<i>H1</i>	<i>H2</i>	<i>H3</i>	<i>H4</i>	<i>H5</i>	<i>H6</i>
OFDIflow_shock	1.497 (0.979)					
OFDIflow		1.014** (0.006)	1.006 (0.007)	1.007 (0.006)		1.006 (0.011)
MHXsh_shock			2.066*** (0.135)			
MHXsh	0.991 (0.154)	0.934 (0.047)		0.968 (0.110)		0.907 (0.154)
Fx_reserves_shock					5.469*** (2.886)	
Fx_reserves_dec	1.001 (0.001)	1.000** (0.000)	1.001*** (0.000)	1.001 (0.001)		1.001* (0.001)
M&A_csoes	1.030 (0.032)	0.981* (0.011)				
World_manuf_VA			1.276* (0.166)	1.301*** (0.122)		
GDP_growth					1.104 (0.118)	1.012 (0.161)
Inflation					1.368** (0.183)	1.594** (0.371)
IFDI					0.946** (0.023)	0.925* (0.041)
Constant	0.321* (0.191)	4.040*** (1.009)	1.561*** (0.260)	1.524* (0.377)	0.120* (0.154)	0.379 (0.563)
Observations (years)	21	21	21	21	21	21

Note: *, **, *** mean significant at, respectively, 10%, 5%, 1% level; Newey–West standard errors are in parentheses; OFDIflow: Annual change in China's OFDI flows (US-Dollar, billion); OFDIflow_shock: Annual increase in China's OFDI flow larger than its average increase = 1 (large increase), otherwise 0.

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07.09.1999	07.09.1999	Exemption from Repatriation of Margin Deposits for Overseas Investment on Certain Projects	No. 287 [1999]	SAFE	Encourage goods-processing business overseas	N.A.	N.A.	Supportive	Profit repatriation
24.12.2001	24.12.2001	"10th Five-Year Plan" Utilization of Foreign Capital and Overseas Investment Planning		NDRC	Inform companies on forthcoming OFDI related changes; promote China's opening-up process	Announcement of the 10th five-year plan	"Adapting to the new situation, seizing new opportunities, meeting new challenges, and making more active, rational and effective use of foreign capital are of great significance for promoting sustained, rapid and healthy development of our economy and overall social progress, and promoting China's further opening up."	Neutral	
24.10.2002	01.01.2003	Measures for Overseas Investment Comprehensive Performance Evaluation (Trial)	No. 523 [2002]	MOFCOM	Improve OFDI control & supervision procedures; improve underlying data for the early-warning system of the international balance; improve the formulation & adjustment of policies on the administration of OFDI	OFDI development	"...China's overseas investment has developed rapidly and has become one of the major methods by which China's enterprises participate in international competition and cooperation."	Neutral	
31.10.2002	01.01.2003	Interim Measures for the Joint Annual Inspection of Overseas Investments	No. 32 [2002]	SAFE; MOFCOM	Intensify OFDI regulations and control	N.A.	N.A.	Neutral	
04.12.2002	01.01.2003	Statistical System of Direct Overseas Investment	No. 549 [2002]	MOFCOM; NBS	Improve OFDI measurement	N.A.	N.A.	Neutral	
19.03.2003	19.03.2003	Streamlining the Examination of the Foreign Exchange Fund Sources for Overseas Investment	No. 43 [2003]	SAFE	Improve OFDI approval process efficiency	Going global	"In order to implement the development strategy of “going global” and the relevant guidance of the decision of the State Council on "Canceling the First Group of Items of Administrative Examination and Approval"..."	Supportive	Projects wholly invested with materials, projects of foreign aid and the strategic investment projects approved by the State Council.
22.04.2003	22.04.2003	Starting the use of the Special Stamp for Joint Annual Examination of Overseas Investment and the Certificate of Annual Examination	No.9 [2003]	MOFCOM	Formalize OFDI control & evaluation procedures	Announcement of No. 32 [2002]	"In accordance with the relevant provisions of the "Interim Measures for Joint Annual Examination of Overseas Investment" and the "Circular on Carrying out the Joint Annual Examination of Overseas Investment and the Comprehensive Achievement Evaluation"..."	Neutral	
28.04.2003	28.04.2003	Pilot Work Relating to the Examination and Approval of Overseas Investments	No. 16 [2003]	MOFCOM	Accelerate "going global"	Going global	"For the purposes of accelerating the “going global” strategy and encouraging the relatively advantageous enterprises of various type of ownership to make investments abroad..."	Supportive	Only applied to Beijing, Tianjin, Shanghai, Jiangsu, Shandong, Zhejiang, Guangdong, Fujian, Qingdao, Ningbo, Shenzhen and Xiamen.
09.05.2003	09.05.2003	Providing Credit Supports to the Key Overseas Investment Projects Encouraged by the State	No. 226 [2003]	NDRC; ExIm Bank	Intensify the financial support to overseas investments	Going global	“...make up for the insufficiency of domestic resources...”	Supportive	
28.05.2003	28.05.2003	Supplementary Notice on the Statistics of Foreign Direct Investment in 2003	No. 20 [2003]	MOFCOM	Improve OFDI control & supervision procedures	SARS outbreak	"Due to the impact of the atypical pneumonia epidemic (SARS), the application training and data reporting of the foreign direct investment statistics management system of some provinces and municipalities is difficult to complete on schedule..."	Neutral	

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26.06.2003	26.06.2003	Simplifying the Examination and Approval Procedures for the Projects of Overseas Processing Trade and Delegating the Authority	No. 126 [2003]	SAFE; MOFCOM	Encourage & promote the development of overseas processing trade, & speed-up the "going out" strategy	Going global	"In order to thoroughly implement the spirit of the 16th National Congress of the Communist Party of China and the Second Plenary Session of the 16th Central Committee, further implement the Document No. 17 [1999] of the State Council, encourage and promote the development of overseas processing trade, and accelerate the implementation of the "going out" strategy, according to the relevant departments and agencies of the State Council."	Neutral	
08.07.2003	08.07.2003	Refund of the Security Deposit for Remitted Back Overseas Investment Profits	No. 81 [2003]	SAFE	Support the "going global" strategy	Going global & the Announcement of the State Council's reform of the administrative examination and approval system	"In order to carry out the development strategy of “going global”, and to implement the relevant spirits of the "Decision of the State Council on Cancelling the First Group of Administrative Examination and Approval Items"".	Supportive	
15.10.2003	01.11.2003	Deepening the Reform of Foreign Exchange Administration on Overseas Investment	No. 120 [2003]	SAFE	Advance the implementation of the development strategy of “going out”; improve the foreign exchange administration on OFDI	Going global	"...advance the implementation of the development strategy of “going out”, and deepen the trial work for the reform of the foreign exchange administration on overseas investment, as well as further improve the foreign exchange administration on overseas investment..."	Supportive	
14.03.2004	14.03.2004	Adjusting the Relevant Issues Concerning the Joint Annual Inspection of Overseas Investment in 2004	No. 7 [2004]	MOFCOM	Improve the annual examination of OFDI	Review of No. 32 [2002]	N.A.	Neutral	
18.03.2004	18.03.2004	Joint Annual Inspection and Comprehensive Performance Evaluation of Overseas Investment in 2004	No. 6 [2004]	MOFCOM; SAFE	Improve the annual examination of OFDI	Deficiencies in No. 32 [2002]	"Experience shows that the joint annual inspection mechanism has played an important role in reinforcing and perfecting the macro supervision and regulation of Chinese overseas investment, which therefore should be carried on. However, there still existed some deficiencies in the joint annual inspection in 2003."	Neutral	
07.06.2004	07.06.2004	Continue Doing a Good Job in the Statistics of Foreign Direct Investment	No. 26 [2004]	MOFCOM; NBS	Improve OFDI measurement	Review of No. 549 [2002]	"...problems existing in the statistics of foreign direct investment in the previous year..."	Neutral	
08.07.2004	08.07.2004	Catalogue of Countries and Industries for Guiding Investment Overseas	No. 294 [2004]	MOFCOM; MOFA	Advance the implementation of the development strategy of “going out”	Going global	"...carrying out the spirit of Sixteenth National Congress and Third Plenary Session of the Sixteenth Central Committee of the Party about "encouraging and helping relatively competitive enterprises with various forms of ownership to invest abroad", "improving the service system for investment overseas" and stepping up the implementation of the "going out" strategy..."	Supportive	
16.07.2004	16.07.2004	Decision on reforming the investment system	No. 20 [2004]	State Council	Fill the gaps in the unfinished opening-up process	Deficiencies in opening-up process	"Since the reform and opening to the outside world, the state has made a series of reforms on the original investment system, which have broken the highly centralized mode of investment administration under the traditional planned economic system, and have formed into a new structure of multi-investors, multi-channels of capital resources, and diversification of ways of investment, as well as market-oriented project construction. But some deep-level inconsistencies and problems have not been radically solved."	Neutral	

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01.10.2004	01.10.2004	Provisions on the Examination and Approval of Investment to Run Enterprises Abroad	No. 16 [2004]	MOFCOM	Promote the development of overseas investment	Changes of the provisions on the Examination and Approval of Investment to Run Enterprises Abroad	N.A.	Supportive	
10.10.2004	01.11.2004	Implementation of the Approval Certificate for Overseas Investment of the People's Republic of China		MOFCOM	Promote the foreign investment facilitation	Implementation of No. 16 [2004]	N.A.	Neutral	
11.11.2004	11.11.2004	Annual Report System on Operational Obstacles in Major Target Countries	No. 558 [2004]	MOFCOM	Accelerate "going global"	Going global	N.A.	Neutral	
17.12.2004	01.01.2005	Statistical System for Foreign Direct Investment (2004 Revision)	No. 645 [2004]	MOFCOM; NBS	Improve OFDI measurement	Review of No. 549 [2002]	"According to the National Bureau of Statistics "Sector Survey Project Interim Measures" provisions, on the basis of learning from international organizations and relevant countries (regions) of foreign direct investment theory, method, combined with the actual situation of foreign direct investment statistics work, after extensive consultation with relevant departments, enterprises and experts and scholars of opinion, we revised and improved the original statistical system"	Neutral	
25.01.2005	25.01.2005	Setting up A Risk Prevention Mechanism for Key Overseas Investment Projects	No. 113 [2005]	NDRC; Sinasure	Accelerate "going global"	Going global	"...16th Party Congress on accelerating the carryout of the strategy of “Going Out”...”	Supportive	
06.04.2005	06.04.2005	Joint Annual Inspection and Comprehensive Performance Evaluation of Overseas Investment in 2005	No. 9 [2005]	MOFCOM; SAFE	Intensify OFDI regulations and control	Review of the 2004 examination and comprehensive evaluation of OFDI	N.A.	Neutral	
21.04.2005	21.04.2005	Registration of Overseas Investments Contributed by Domestic Individual Residents and Foreign Exchange Registration of Merger or Acquisition with Foreign Investments	No. 29 [2005]	SAFE	Maintain the balance of international payments; guarantee the regularized and orderly flow of trans-territorial capitals	N.A.	N.A.	Neutral	M&A
12.05.2005	12.05.2005	Catalogue of Industrial-oriented Products for Foreign Investment Countries (II)	No. 151 [2005]	MOFCOM; MOFA	Advance the implementation of the development strategy of “going out”	Review of No. 294 [2004]	"Since the publication of the "Investment Catalogue of Foreign Investment Countries (I)", it has become an important basis for guiding and approving the foreign investment of Chinese enterprises by the competent departments of foreign economic cooperation at all levels, and encourages, supports and guides Chinese enterprises to carry out targeted development. Investment has played an important role and has produced good responses at home and abroad."	Supportive	
19.05.2005	19.05.2005	Enlarging the Reform Pilots regarding the Administration of Foreign Exchange for Overseas Investment	No. 35 [2005]	SAFE	Carry out the strategy of “Going global”; deepen the reform of the administration of foreign exchange for overseas investment	Review of the pilot reform implemented in 2002	N.A.	Neutral	
25.09.2005	25.09.2005	Circular on the issues on offering more financing support to key overseas investment projects	No.1838 [2005]	NDRC; CDB	Intensify the financial support to overseas investments	Going global	"...16th Party Congress on accelerating the carryout of the strategy of “Going Out”...”	Supportive	
17.10.2005	17.10.2005	Detailed Rules for the Examination and Approval of Investments to Run Enterprises Abroad	No. 527 [2005]	MOFCOM	Further implement No. 16 [2004]	Review of No. 16 [2004]	N.A.	Neutral	

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14.12.2005	01.01.2006	Notice on Starting Using the Approval Certificate for the Overseas Investments of Chinese Enterprises	No. 114 [2005]	MOFCOM	Promote the convenience of overseas investments	Fifth Plenary Meeting of the 16th CPC Central Committee with the spirit for “investing abroad according to internationally adopted rules”	"According to the spirits of “investing abroad according to internationally adopted rules” of the Fifth Plenary Meeting of the 16th CPC Central Committee..., we hereby circulate a notice on the relevant issues about adjusting the types of approval certificates for overseas investments..."	Neutral	
02.06.2006	02.06.2006	Joint Annual Inspection and Comprehensive Performance Evaluation of Overseas Investment in 2006	No. 8 [2006]	MOFCOM; SAFE	Intensify OFDI regulations and control	Review of the 2005 examination and comprehensive evaluation of OFDI	"...summing up the work of 2005..."	Neutral	
06.06.2006	01.07.2006	Adjusting Some Foreign Exchange Management Policies concerning Overseas Investments	No. 27 [2006]	SAFE	Meet the needs of foreign economic development, improve supporting policies for encouraging overseas investment, and facilitate domestic investors to conduct transnational operations	Foreign economic development; deficiencies in supporting policies for encouraging overseas investment	"In order to meet the needs of foreign economic development, improve supporting policies for encouraging overseas investment, and facilitate domestic investors to conduct transnational operations, the State Administration of Foreign Exchange decided to adjust some foreign exchange management policies for overseas investment."	Supportive	
28.06.2006	01.07.2006	Interim Measures for the Supervision and Administration of the Investments by Central Enterprises	No.16 [2006]	SASAC	Lower the investment risk associated with CSOEs' OFDI, by improving their decision-making process through the inclusion of scientific approaches	N.A.	N.A.	Restrictive	CSOEs
05.07.2006	05.07.2006	Guiding Policies for Overseas Investment Industries	No. 1312 [2006]	NDRC; MOFCOM; MOFA; MOF; GACC; STA; SAFE	Encourage and support enterprises with comparative advantages to invest abroad	Going global; The needs of economic and social development	"In accordance with the spirit of the "going out" strategy of the 16th National Congress of the 16th Party Congress..."	Supportive/Restrictive	
21.11.2006	21.11.2006	Strengthening the Statistical Work of China's Outward Foreign Direct Investment	No. 66 [2006]	MOFCOM	Continue doing well the statistical work of China's outward foreign direct investment in the next phase	Review of Statistical Bulletin of China's Outward Foreign Direct Investment (Non-Finance Part) of 2003, 2004 and 2005	"China's outward foreign direct investment statistics data have been drawing wide attention from the government departments, research institutions, experts and scholars throughout the world."	Neutral	
26.12.2006	01.01.2007	Statistical System for Foreign Direct Investment (2006 Revision)	No. 684 [2006]	MOFCOM; NBS	Accurately, timely and comprehensively reflect the actual situation of China's foreign direct investment	Review of the past two years' work on OFDI statistics	N.A.	Neutral	
31.01.2007	31.01.2007	Catalogue of Industrial-oriented Products for Foreign Investment Countries (III)	No. 29 [2007]	MOFCOM; MOFA; NDRC	Further encourage & improve the regulation of OFDI	Review of No. 294 [2004] & No. 151 [2005]	N.A.	Supportive	
10.05.2007	10.05.2007	Encouraging and Guiding Non-Public Enterprises to Foreign Investment Cooperation	No. 94 [2007]	MOFCOM; MOF; PBoC; ACFC	Advance the implementation of the development strategy of “going out”; deepen administrative reform and promote the non-public enterprises "going out" strategy	OFDI development; OFDI projects of non-public enterprises still encounter institutional obstacles and practical difficulties	"...foreign investment cooperation of non-public enterprises such as individuals and private individuals has entered a period of rapid development."	Supportive	
02.07.2007	02.07.2007	Joint Annual Inspection and Comprehensive Performance Evaluation of Overseas Investment in 2007	No. 23 [2007]	MOFCOM; SAFE	Intensify OFDI regulations and control	Review of the 2006 examination and comprehensive evaluation of OFDI	"...summarizing the work of 2006..."	Neutral	

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08.08.2007	08.08.2007	Decentralizing the Power of Examination on the Source of the Foreign Exchange Funds for Overseas Investments	No. 47 [2007]	SAFE	Meet the requirements of the development of China's OFDI ; simplify the procedures for foreign exchange administration of OFDI	OFDI development	"In order to meet the requirements of the development of China's overseas investments..."	Neutral	
24.09.2007	24.09.2007	"Eleventh Five-Year Plan" on Foreign investment		NDRC	Inform companies on forthcoming OFDI related changes	Announcement of the 12th five-year plan	N.A.	Neutral	
19.12.2007	01.01.2008	Adjusting the Relevant Matters on the Examination and Approval of Overseas Investment	No. 112 [2007]	MOFCOM	Meet the requirements of the development of China's OFDI; improve the work efficiency of the OFDI examination and approval process	Review of the current process of OFDI examination and approval	N.A.	Neutral	
06.06.2008	06.06.2008	Further Regulating the Foreign Investment Cooperation of Chinese Enterprises	No. 222 [2008]	MOFCOM; MOFA; SASAC	Tackle problems that have arisen with the rapid OFDI development	OFDI development	"China's foreign investment cooperation is developing rapidly on an increasing scale and in broader business fields, and has taken on a trend of sound development. However, some problems which cannot be ignored have also arisen in the course of development..."	Neutral	
01.09.2008	01.09.2008	Joint Annual Inspection and Comprehensive Performance Evaluation of Overseas Investment in 2008	No. 65 [2008]	MOFCOM; SAFE	Intensify OFDI regulations and control	Review of the 2007 examination and comprehensive evaluation of OFDI	"On the basis of summing up the work of 2007..."	Neutral	
31.12.2008	31.12.2008	Strengthening Administration over the Foreign Investment Activities of Central Enterprises	No. 225 [2008]	SASAC	Further implement "going global"	Going global; Financial crisis; OFDI problems encountered by central enterprises	"...better carry out the "going out" strategy..."	Restrictive	CSOEs
31.12.2008	01.01.2009	Statistical System for Foreign Direct Investment (2008 Revision)	No. 529 [2009]	MOFCOM; NBS; SAFE	Adjustment of prior regulation to current situation	Review of the situation and characteristics of OFDI during the past two years	"...the current situation and characteristics of China's foreign direct investment in the past two years."	Neutral	
16.03.2009	01.05.2009	Measures for Overseas Investment Management	No. 5 [2009]	MOFCOM	Promote and regulate OFDI	N.A.	N.A.	Neutral	M&A
08.06.2009	08.06.2009	Issues Concerning the Improvement of the Administration of Overseas Investment Projects	No. 1479 [2009]	NDRC	Satisfy demands in the development of new situation; promote the sound & orderly development of Chinese OFDI	OFDI development	"...overseas investments made by Chinese enterprises have developed rapidly. Especially, we are seeing an obvious increase of large overseas acquisition and bid projects."	Neutral	
13.07.2009	01.08.2009	Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions	No. 30 [2009]	SAFE	Introduce the "going out" strategy, and with this a balanced OFDI development	Going global	N.A.	Neutral	
19.10.2009	19.10.2009	Interim Measures for the Administration of Overseas Investment Funds of the Central State-owned Capital Operating Budget	No. 210 [2009]	MOF	Implement the development strategy of "going out"; promote the development of OFDI	Going global	N.A.	Supportive	CSOEs
28.12.2009	28.12.2009	Joint Annual Inspection of Overseas Investment	No. 60 [2009]	SAFE; MOFCOM	Further do a good job in the joint annual inspection	Complexity of the contents of and procedures for the annual inspection	"...there are such problems as complexity of the contents of and procedures for the annual inspection."	Neutral	
28.12.2009	28.12.2009	Adjusting the Publication Cycle of Statistics Journals of Foreign Direct Investment	No.188 [2009]	MOFCOM	Meet the requirements of business development and relevant administrative departments to better cover OFDI development	OFDI development	"With the expanding scale of China's foreign direct investment, the foreign direct investment statistics have received widespread concern throughout the society."	Neutral	

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26.02.2010	26.02.2010	National Work of Overseas Investment and Cooperation for 2010		MOFCOM	Improve the development level of “going global”	Financial crisis; Going global	"The total non-financial overseas direct investment in 2009 is 43.3 billion U.S. dollars, up by 6.5% over the previous year. The contractual amount of new contracted projects in foreign countries is 126.2 billion U.S. dollars, and the accomplished turnover is 77.7 billion U.S. dollars, up by 20.7% and 37.3% respectively over the previous year. The accomplished turnover of overseas labor service cooperation is 8.91 billion U.S. dollars, up by 10.6% over the previous year, and various labor forces working in foreign countries by the end of 2009 are 778,000, an increase of 38,000 over the same period in 2008. "	Neutral	
26.03.2010	26.03.2010	Regulating the Individual Shareholding of Overseas Investments on Behalf of State-Owned Enterprises	No. 24 [2010]	MOF	Diminish the state-owned assets management risk that exists in state-owned enterprises' OFDI due to individual shareholding	OFDI development	"...the audit investigations conducted by the audit administration show that, in state-owned enterprises' overseas investments, the management relationships relating to individual shareholding on behalf of state-owned enterprises are not rationalized, causing the risk of loss of state assets or dispute over property rights, cannot meet the needs of state-owned assets management system reform, and should be further regulated. "	Restrictive	SOEs
07.05.2010	07.05.2010	Several Opinions on Encouraging and Guiding the Healthy Development of Private Investment	No.13 [2010]	State Council	Encourage and guide private investment	Prior focus on public-sector	"While firmly consolidating and developing the public sector of the economy, we shall firmly encourage, support and guide the development of the non-public sectors of the economy and further encourage and guide private investment..."	Supportive	POEs; R&D, production and marketing; exploitation of strategic resources and establishment of international sales networks
24.05.2010	24.05.2010	Administrative Measures for International Market Developing Funds of Small and Medium-Sized Enterprises	No.87 [2010]	MOF; MOFCOM	Support SMEs' OFDI and the efficient use of international market development funds	N.A.	N.A.	Supportive	SMEs
26.08.2010	26.08.2010	Overseas Security Risk Early Warning and Information Release System of Foreign Investment Cooperation	No.348 [2010]	MOFCOM	Improve the overseas security risk control system; guarantee the smooth implementation of the “going global” strategy	OFDI development; overseas security risk events	“...scale of foreign investment cooperation is increasingly enlarged, the international situation it faces with is becoming more and more complicated and capricious...”	Supportive	
08.01.2011	08.01.2011	Abolishing and Amending Some Administrative Regulations	No. 588 [2011]	State Council	Profoundly carry out the basic guideline of governing the country by law, maintain the unification of the socialist legal system, and comprehensively promote “administration by law”	Review of administrative approval conditions	"...the State Council comprehensively reviewed again the existing 691 administrative regulations issued as of the end of 2009 according to the new situations and new requirements of the economic and social developments and the deepening of reform."	Neutral	
30.12.2010	01.01.2011	Statistical System for Foreign Direct Investment (2010 Revision)	No.520 [2010]	MOFCOM; NBS; SAFE	Meet the needs of the development of China's OFDI business, and do a good job in the statistical monitoring of OFDI	OFDI development	"In order to meet the needs of the development of China's overseas investment business, and do a good job in the statistical monitoring of foreign direct investment..."	Neutral	
06.01.2011	06.01.2011	Administrative Measures for the Pilot RMB Settlement of Outward Direct Investment	No.1 [2011]	PBoC	Enhance the RMB settlement process of OFDI	N.A.	N.A.	Neutral	
14.02.2011	14.02.2011	Decentralizing the Power of Examination and Approval in Overseas Investment Projects	No. 235 [2011]	NDRC	Meet the needs of overseas investment development under the new situation	OFDI development	"In order to meet the needs of overseas investment development under the new situation..."	Supportive	

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07.04.2011	07.04.2011	Doing a Good Job in the Foreign Exchange Registration of Overseas Investment Projects	No. 9 [2011]	SAFE	Further simplify the administrative procedures, transfer power to lower levels, and promote the development of overseas investment	N.A.	N.A.	Neutral	
30.08.2011	30.08.2011	Foreign Investment Country Guide	No. 767 [2011]	MOFCOM; NDRC; MOFA	Further improve OFDI	N.A.	N.A.	Supportive	Host country industries
18.03.2012	01.05.2012	Interim Measures for Supervision and Administration of Overseas Investment by Central Enterprises	No. 28 [2012]	SASAC	Strengthen the supervision and administration, promote and standardize the OFDI of CSOEs	N.A.	N.A.	Restrictive	CSOEs
29.06.2012	29.06.2012	Encouraging and Guiding Private Enterprises to Actively Conduct Overseas Investment	No. 1905 [2012]	NDRC; MOFA; MIIT; MOF; MOFCOM; PBoC; GACC; CBIRC; SAMR; CSRC; CBIRC; SAFE	Effectively implement the Several Opinions of the State Council on Encouraging and Guiding the Sound Development of Private Investment (No.13 [2010]); maximize the important role of private enterprises in overseas investment, and encourage and guide private enterprises to actively conduct overseas investment	OFDI development; Announcement of No.13 [2010]	"In order to effectively implement the Several Opinions of the State Council on Encouraging and Guiding the Sound Development of Private Investment (No. 13 [2010] of the State Council)..."	Supportive	POEs; exploitation of strategic resources and establishment of international sales networks
17.07.2012	17.07.2012	"Twelfth Five-Year Plan" Utilization of Foreign Capital and Overseas Investment Planning		NDRC	Inform companies on forthcoming OFDI related changes	Announcement of the 12th five-year plan	no direct external influence	Neutral	
18.09.2012	18.09.2012	Encouraging and guiding overseas investment and transnational operations of private enterprises in water operation industry	No. 216 [2012]	Ministry of Transport	Effectively implement the Several Opinions of the State Council on Encouraging and Guiding the Sound Development of Private Investment (No.13 [2010] of the State Council); encourage and guide private enterprises in the water operation industry such as shipping, port and waterway construction to actively carry out OFDI	Announcement of No.13 [2010]	N.A.	Supportive	POEs; water operation industry (shipping, port, waterway construction);
21.12.2012	01.01.2013	Statistical System for Foreign Direct Investment (2012 Revision)	No.1129 [2012]	MOFCOM; NBS; SAFE	Meet the needs of the development of China's OFDI business; do a good job in the statistical monitoring of OFDI	OFDI development	"....reviewed the current situation and characteristics of China's foreign investment in the past two years..."	Neutral	
18.04.2013	18.04.2013	Regulating Competitive Behaviors in the Fields of Foreign Investment Cooperation	No. 88 [2013]	MOFCOM	Regulate OFDI; encourage and protect fair competition	N.A.	N.A.	Neutral	M&A
14.06.2013	14.06.2013	Measures for the Administration of Special Funds for Foreign Investment Cooperation	No. 124 [2013]	MOF	Further implementation of "Going global"; regulate foreign economic and technical cooperation fund management	N.A.	N.A.	Supportive	
01.07.2013	01.07.2013	More Effectively Conducting the Annual Foreign Exchange Inspection of Overseas Investments in 2013	No. 68 [2013]	SAFE	More effectively conduct the annual foreign exchange inspection of OFDI	N.A.	N.A.	Supportive	
07.09.2013	07.09.2013	The Silk Road Economic Belt concept		MOFA	China and Central Asia to cooperatively build a Silk Road Economic Belt	N.A.	N.A.	Supportive	Transportation

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02.12.2013	02.12.2013	Catalogue of Investment Projects Subject to the Approval of Government	No.47 [2013]	State Council	Deepen the reform of the investment system and the administrative examination and approval system; simplifying administrative procedures and delegating powers to lower levels	N.A.	N.A.	Supportive	
18.04.2014	18.04.2014	Centralized Operation and Management of Foreign Exchange Funds of Multinational Companies (for Trial Implementation)	No. 23 [2014]	SAFE	Meet the multinational companies' demand for using foreign exchange funds within and outside China in a planned way, serve the real economy, promote trade and investment facilitation, support the transformation and upgrading of the industrial structure, and explore exchange facilitation for investment and financing.	Demand of MNEs	"To meet the multinational companies' demand for using foreign exchange funds within and outside China in a planned way..."	Supportive	
06.09.2014	06.10.2014	Measures for the Administration of Outbound Investment	No. 5 [2009]	MOFCOM	Promote and regulate OFDI	N.A.	N.A.	Neutral	
31.10.2014	31.10.2014	Catalogue of Investment Projects Subject to Government Confirmation	No. 53 [2014]	State Council	Further deepen the reform of the OFDI system; increase efforts in simplifying administrative procedures and decentralizing powers; enable resource allocation through the market; strengthen and improve macro-control	N.A.	N.A.	Neutral	Wide coverage of industries
27.12.2014	27.12.2014	Amending the Relevant Clauses of the Measures for the Administration of the Confirmation and Recordation of Overseas Investment Projects and the Measures for the Administration of the Confirmation and Recordation of Foreign-Funded Projects (2014)	No. 20 [2014]	NDRC	Improve the administrative Measures on Approval and Record-Filing for Outbound Investment Projects	Review of the administrative Measures on Approval and Record-Filing for Outbound Investment Projects	"In accordance with the Catalogue of Investment Projects Subject to Government Confirmation issued by the State Council..."	Restrictive	
08.01.2015	01.01.2015	Statistical Rules on Foreign Direct Investment (2015 Revision)	No. 6 [2015]	MOFCOM; NBS; SAFE	Meet the needs of the development of China's OFDI business; do a good job in the statistical monitoring of OFDI	OFDI development	"...made amendments and supplements to the Statistical System of Foreign Direct Investment issued in December 2012 in light of the actualities and characteristics of foreign direct investment in China during the recent two years..."	Neutral	
01.03.2015	01.03.2015	Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road		MOFA	Promote the implementation of the BRI, connect Asian, European and African countries more closely	Announcement of "The Silk Road Economic Belt concept" (Sept 2013) and the 21st-Century Maritime Silk Road (October 2013)	"When Chinese President Xi Jinping visited Central Asia and Southeast Asia in September and October of 2013, he raised the initiative of jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, which have attracted close attention from all over the world. At the China-ASEAN Expo in 2013, Chinese Premier Li Keqiang emphasized the need to build the Maritime Silk Road oriented towards ASEAN..."	Supportive	Wide coverage of industries

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05.05.2015	05.05.2015	Developing a New System of Open Economy		State Council	Processes of IFDI and OFDI shall be aligned; Encourage the use of RMB		"At present, world multi-polarization and economic globalization are gaining further momentum, the international political and economic environment is undergoing profound changes, and the trend of innovation-led development is becoming even more apparent. Domestically, China's reform and opening-up campaign is at a new starting point, with in-depth adjustment to the economic structure, comprehensive progress of reforms in various aspects, and economic development entering the "new normal". "	Supportive	
13.05.2015	13.05.2015	Promotion of International Production Capacity and Equipment Manufacturing Cooperation	No. 30 [2015]	State Council	Seize the favorable opportunities, promote international production capacity and equipment manufacturing cooperation and realize quality improvement, efficiency increase and upgrade of the Chinese economy	China's equipment manufacturing industry has developed sustainably and rapidly; global industrial structure is undergoing accelerated adjustment	"Over recent years, China's equipment manufacturing industry has developed sustainably and rapidly, with substantial promotion of its industrial scale, technological level and international competitiveness."	Supportive	Equipment manufacturing
18.05.2015	18.05.2015	Paperless Administration of Recordation of Overseas Investment and on Simplifying the Cancellation Formalities of Overseas Investment	No. 197 [2015]	MOFCOM	Further facilitate enterprises' OFDI and improve efficiency		"Since October 2014, when the Measures for the Administration of Overseas Investment (No. 3 [2014], MOC) began to be implemented, the facilitation of overseas investment by enterprises has increased significantly."	Neutral	
25.06.2015	25.06.2015	Work Plan for Accelerating China's Standards of "Going Global" to increase Production Capacity and Equipment Manufacturing Cooperation	No. 272 [2015]	SAMR	Do a good job in setting standards of "going global"; Promote the implementation of "Made in China 2025" & "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road"	Announcement of the Made in China 2025 strategy	N.A.	Neutral	Equipment manufacturing
03.02.2016	19.02.2016	Cancelling the Second Group of 152 Administrative Approval Items Designated by the Central Government for Implementation by Local Governments	No. 9 [2016]	State Council	Effectively strengthen interim and ex post supervision	Review of administrative approval conditions	N.A.	Neutral	
05.08.2015	05.08.2015	Centralized Operation and Management of Foreign Exchange Funds of Multinational Companies (2015 Revision)	No. 36 [2015]	SAFE	Further promote trade and investment facilitation	N.A.	N.A.	Supportive	
12.01.2016	12.01.2016	Measures for the Assessment of the Statistical Work of Foreign Direct Investment	No. 889 [2016]	MOFCOM	Comprehensively and timely reflect the actual situation of the various kinds of OFDI; ensure the smooth development of foreign investment accounting	N.A.	N.A.	Neutral	
26.11.2016	26.11.2016	Further Clarifications on Overseas RMB Loans by Domestic Enterprises	No. 306 [2016]	PBoC	Restrict the arbitrage activities of MNEs	Large capital outflows	N.A.	Restrictive	Loans
13.04.2016	13.04.2016	Requesting Public Comments to revise the Measures for the Administration of the Confirmation and Recordation of Overseas Investment Projects		NDRC	Further facilitating OFDI; increase efforts to simplify administrative procedures and decentralize powers	OFDI development	"In order to meet the needs of China's overseas investment development..."	Supportive	

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01.08.2016	01.08.2016	Five-Year Action Plan for Promoting the International Development of Small and Medium-sized Enterprises (2016-2020)	No. 314 [2016]	MIIT	Promote the construction of the “Belt and the Road” and the supply-side structural reform; improve the international competitiveness of SMEs in their technologies, brands, marketing and services	Development of SMEs	N.A.	Supportive	Wide coverage of industries
29.11.2016	29.11.2016	Restrictions on capital outflows		SAFE	Restricting capital outflows and OFDI.	Large capital outflows	“China’s policymakers are closely watching market changes and capital flows...”	Restrictive	
01.12.2016	01.12.2016	Strengthening International Cooperation and Enhancing the Status of China's Industries in the Global Value Chain		MOFCOM; NDRC; MOST; MIIT; PBoC; GACC; NBS	Enhance the status of China's industries in the global value chain, through overseas extension of the domestic industrial chain overseas, the set up of R&D centers overseas, and the acquisition of stocks of overseas innovative enterprises	Fast development of the scientific, technological and industrial sectors	“...currently China's related industries are still in the low-end position in the global value chain as a whole...”	Supportive	
12.12.2016	12.12.2016	Catalog of Investment Projects Subject to Government Confirmation (2016)	No. 72 [2016]	State Council	Simplification of administrative procedures	Announcement of Several Opinions of the CPC Central Committee and the State Council on Developing a New System of Open Economy (May 2015)	N.A.	Supportive	
26.12.2016	26.12.2016	13th Five-Year Plan for Foreign Trade Development	No. 484 [2016]	MOFCOM	Inform companies on forthcoming OFDI related changes	Announcement of the 13th five-year plan	N.A.	Neutral	
30.12.2016	01.01.2017	Statistical Rules on Foreign Direct Investment (2016 Revision)	No. 987 [2016]	MOFCOM; NBS; SAFE	Meet the needs of the development of China's OFDI business; do a good job in the statistical monitoring of OFDI	OFDI development	"....made amendments and supplements to the Statistical Rules on Foreign Direct Investment issued in January 2015 in light of the characteristics of foreign direct investment and foreign investment business development situation in China during the recent two years and on the basis of the special statistical surveys conducted in overseas major mineral resources and international production capacity cooperation in 2016. "	Neutral	
07.01.2017	07.01.2017	Measures for the Supervision and Administration of Overseas Enterprises of Central Enterprises	No. 35	SASAC	Strengthen the supervision and administration of OFDI by central enterprises; boost CSOEs to improve the international operation level	N.A.	N.A.	Restrictive	CSOEs
12.06.2017	01.08.2018	Measures for the Financial Management of the Overseas Investments by State-owned Enterprises	No. 24 [2017]	MOF	Strengthen the financial management of OFDI by SOEs; enhance the capacity of state-owned capital for serving “Belt and Road,” “Going Out” and other national strategies	N.A.	N.A.	Restrictive	SOEs
04.08.2017	04.08.2017	Further Directing and Regulating the Direction of Overseas Investments	No. 74 [2017]	State Council	Direct and regulate the direction of OFDI; promote the sustainable, rational, orderly and sound development of OFDI; actively prevent various risks; adapt to the needs of the national economy	OFDI development	“In recent years, the pace of overseas investment by Chinese enterprises has been significantly accelerated, and the scale and efficiency have been significantly improved...”	Supportive/Restrictive	Wide coverage of industries
03.11.2017	03.11.2017	Obtaining Public Opinions on the Measures for the Administration of Enterprise Overseas Investment (Exposure Draft)		NDRC	Improve regulations of OFDI; safeguard China's national interests and security	OFDI development	“...following the need of the development of overseas investment...”	Supportive	

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06.12.2017	06.12.2017	Issuing the Code of Conduct for the Operation of Overseas Investments by Private Enterprises	No. 2050 [2017]	NDRC; MOFCOM; PBoC	Regulate OFDI (operation activities of private enterprises); improve the quality and level of “going out”	Private enterprises in China still have inadequate overseas investment experience and overseas operation level to be improved.	“In recent years, private enterprises in China have significantly accelerated the pace of overseas investment...”	Neutral	POEs
26.12.2017	01.03.2018	Measures for the Administration of Overseas Investment of Enterprises	No. 11 [2018]	NDRC	Promote and regulate OFDI; simplify administrative procedures	N.A.	N.A.	Neutral	
28.12.2017	28.12.2017	Guide to Foreign Investment Cooperation Countries (Regions)		MOFCOM	Help domestic enterprises “going global”; prevent and resolve the risks of OFDI	N.A.	N.A.	Supportive	
18.01.2018	18.01.2018	Interim Measures for the Recordation (or Confirmation) and Reporting of Outbound Investment	No. 24 [2018]	MOFCOM; PBoC; SASAC; CBIRC; CSRC; SAFE	Regulate enterprises' overseas operations; enhance the administrative process of recordation and confirmation	N.A.	N.A.	Neutral	
10.04.2018	10.04.2018	Guiding the Sound Development of Outbound Investment and Financing Funds	No. 553 [2018]	NDRC; MOF; MOFCOM	Guide the sound development of OFDI; promote of the formation of a new comprehensive opening up pattern	OFDI development	“Over recent years, various entities from China have established a number of outbound investment and financing funds by raising funds in China and abroad...”	Restrictive	
14.08.2018	14.08.2018	Effectively Conducting the Relevant Work after the Cancellation of Preliminary Examination of the Confirmation of Investment in the Formation of Enterprises Abroad (Excluding Financial Enterprises) by Domestic Enterprises	No. 286 [2018]	MOFCOM	Ensure the smooth transition after the cancellation of local preliminary examination	Cancellation of administrative licensing items	"The preliminary examination of the confirmation of investment in the formation of enterprises abroad (excluding financial enterprises) by domestic enterprises is cancelled according to the Decision of the State Council to Cancel a Group of Administrative Licensing Items and Other Items (No. 28 [2018], State Council)."	Neutral	
26.12.2018	26.12.2018	Guidelines for the Compliance Management of Enterprises' Overseas Operation	No. 1916 [2018]	NDRC; MOFA; MOFCOM; PBoC; SASAC; SAFE; ACFIC	Promote enterprises' continuous enhancement of the compliance management level	N.A.	N.A.	Restrictive	
08.01.2019	01.01.2019	Notice on Issuing the Statistical Rules on Foreign Direct Investment (2019 Revision)	No. 3 [2019]	MOFCOM; NBS; SAFE	Meet the needs of the development of China's OFDI business, and do a good job in the statistical monitoring of OFDI	OFDI development		Neutral	
15.03.2019	15.03.2019	Centralized Operation and Management of Cross-Border Capital of Multinational Companies (2019 Revision)	No. 7 [2019]	SAFE	Further facilitating trade & investment	N.A.	N.A.	Supportive	
28.06.2019	28.06.2019	Recordation Administration of Overseas Branches of Law Firms	No. 1 [2019]	Ministry of Justice	Regulating the recordation of overseas branches of law firms	N.a.	N.A.	Neutral	

Note: Trigger quotations are from official policy translations or provided by pkulaw.com