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THE RESULTS AND CHALLENGES OF CHINESE "GO GLOBAL" POLICY

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Abstract: "Open Door Policy" marked the turning point in the history of the economic development of China, since it meant that China was opening to the foreign investments. Since 1979 until today China has become one of the top countries in the world to receive foreign direct investments (FDI). Chinese economy is the second largest economy in the world, with one of the strategic goals of the Chinese Government being to become number one.

In order to achieve that result, China shifted its previous focus from FDI to OFDI (outward foreign direct investment). It started to implement completely different strategy, and tried to spread its business abroad. During the implementation of the 10th (2001-2005) and 11th Five-Year Plan (2006-2010) the "Go Global" policy was emphasized as one of the most important strategic policies in China. Because of that Chinese OFDI started to rise, and in 2016 they reached impressive US$ 247 billion.

This paper will analyze the historical development of "Going Global" policy, and look upon the effects, results, changes and challenges that have appeared in the process so far.

Key words: China, *Going Global*, history, policy, strategy, effects, results, changes, challenges

SHORT HISTORY OF *GOING GLOBAL* POLICY

Chinese opening to the foreign investments was defined by "Open Door Policy" in 1979, and was developed under the leadership of Deng Xiaoping, the successor of late President Mao Zedong. His vision of the future China's

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development was different from the one that Mao had had. When he was officially established as a new Chinese leader, one of his first decisions was to open Chinese economy to the foreign investors. Since 1978 until today China has become the third largest foreign direct investments (FDI) recipient, with a net inflow of US$170 000 million in 2016. Only the USA and the UK received more FDI (https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD, accessed September 11th 2017). Deng's vision was not only to open China for foreign investments, but he also wanted to spread business of Chinese enterprises abroad. It took more time to realize this part of his vision and plan than bring FDI to China. According to available data, China started to invest abroad in 1982, but it was not until 2002 that the real boost of China's outward foreign direct investment (OFDI) started to happen. Joint report made by UNCTAD and MOFCOM showed that from 1982 to 1989 China's OFDI were around US$ 450 million per year and those investments were usually to Asia - the countries relatively close to China (https://www.oecd.org/investment/investmentfor development/41792683.pdf, accessed September 11th 2017). There were many reasons why several Chinese Governments did not engage so much in OFDI. First, their main goal was to see how FDI would affect their domestic economy; second, there was an agreement at governmental level that the profits that were made in China, should stay and be invested in China; thirdly, there were doubts how China would control business of their companies abroad.

During, the 1990s there was further progress in launching Chinese OFDI, but the results were modest. This was the reason why Deng Xiaoping took his famous visit to southern part of China (the so called "southern route") during which he stressed out once again the importance of China's opening to the world. Although at that time Deng was retired, he wanted to further support the reforms that he started some 14 years ago. After that China did open more to the FDI and changed its domestic economy, but remained cautious regarding OFDI.

In 1999 there were official statements about the need to have Chinese companies which would be able to "go out or go global", but besides that nothing happened. At that time there were other things that were more important, such as China's trying to join WTO, and it finally succeeded in 2001. That was a turning point in changing Chinese perspective for spreading their investments abroad. Once again Deng Xiaoping's teachings about being globally active and being able to change were remembered and emphasized. So during the promotion of the 10th and after that the 11th Five-Year Plan, "Going Global" policy was stressed out as one of the priorities in China. It was a strategic move of Zemin's Government that was a signal to Chinese companies to be prepared and seek business opportunities outside China.

The opportunity to go first outside was given to state owned companies. By doing that Chinese Government had complete control over those investments:

where they would go (countries), what sectors they would invest into, under which financial conditions and so on.

The private companies were not given the permission to go abroad until 2003 (Buckley at all, 2007, p. 3). That is the reason why today so many Chinese private companies are aggressively buying a lot of companies abroad. This has resulted in impressive results in recent years. According to the data presented in World Investment Report 2017 (http://news.xinhuanet.com/english/2017-06/08/c_136350164.htm, accessed September 18th 2017), China rose to the position of the second-largest source of outward foreign direct investment (FDI) for the first time in 2016.[3] It is evident from the report that FDI outflows from China increased 44 percent year-on-year to US$ 183 billion last year, and this was done mostly through cross-border mergers and acquisitions of Chinese companies.

In April 2016 the PRC State Council presented to the Government a view on the historic development of the *Go Global* policy: "In the "Go Global" era 1.0, more than 10 years ago, when many Chinese enterprises started setting up overseas sales networks, most of them simply engaged in low-end international trade.

It was followed by the "Go Global" era 2.0, when many state-owned enterprises reached out to the overseas market, mainly aiming at properties such as oil and natural gases and overseas infrastructure projects.

Private enterprises' rise turned out to be the highlight of "Go Global" era 3.0, as they directly invested in foreign markets, set up factories overseas, employed local labor, and acquired foreign companies and infrastructure. Over this period, China's manufacturing bases gradually moved outside domestic markets and "Made in China" was gradually received by the overseas markets.

With examples of Lenovo's acquisition of IBM and Geely's purchase of Volvo, Chinese private enterprises triumphed in many industries.

Now, with "Go Global" era 4.0 coming, private enterprises are becoming the main driving forces, with investment diversity and upgrade of their position within global value chains. According to data from the Ministry of Commerce, Chinese non-financial investment in 2015 amounted to US$118.02 billion, a growth of 14.7 percent year-on-year, and continuing growth in outbound investments over the past 13 years." (http://eng lish.gov.cn/news/top_news/ 2016/04/11/content_281475325205328.htm, accessed September 18th 2017)

Looking at these references it can be seen that Chinese Government is in the fourth stage of the implementation of *Going Global* policy, which is characterized by diversification of investments abroad, and giving the lead to Chinese private enterprises.

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[3] The report was jointly released by: United Nations Conference on Trade and Development (UNCTAD) and the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce.

THE RESULTS OF *GOING GLOBAL* POLICY

State owned companies versus private companies

In the last 10 years we have witnessed the rapid growth and development of Chinese companies in foreign markets. Many Chinese enterprises, following the Going Global policy, have decided to redirect the business of their companies beyond the borders of their own country. This is primarily achieved through great influence and support of the Chinese Government, which wants to have the expansion of its companies on the global level.

Until 2008 Chinese state-owned companies were leaders in OFDI, but from 2010 the situation changed so that role was taken over by Chinese private investment funds and private companies. (Huiyao and Lu, 2016, p. 172-173)

Table 1 - Top 3 Chinese **state** *companies that have biggest investments abroad from 2005-2016, in billion US$*

Company name	**Main activities**	**Total overseas investments from (2005-2016)**
China Petrochemical Corporation (Sinopec)	Gas and oil exploration and extraction; petroleum refining, storage and transportation; production of petrochemicals and related products, including fibers and fertilizers.	US$ 79,5 billion
China National Offshore Oil Corporation (CNOOC)	Offshore oil and gas exploration and extraction.	US$ 37,9 billion
China Minmetals	Mining, production and trading of minerals and metals.	US$ 34,6 billion

Source: The authors' research is based on: China's Top 500 Enterprises and China Global Investment Tracker

As it can be seen from table 1, the leading state-owned Chinese companies on the global markets are primarily oriented towards traditional energy sector. Their main investments are going to subsectors such as: gas and oil exploitation, processing and trade of certain oil products, precious metals and minerals. It should also be noted that those Chinese companies are investing in Africa and the Middle East, primarily due to their primary business activities. Lately there has also been an increase of Chinese SOE's presence in the countries of the former SSSR such as Kazakhstan, Turkmenistan and Tajikistan.

Table 2 - Top 3 Chinese **private** *companies that had the biggest investments abroad from 2005-2016, in billion US$*

Company name	**Main activities**	**Total overseas investments from (2009-2016)**
HNA Group	Commercial passenger airlines (Hainan Airlines and other carriers); logistics, including airport operation and cargo services; tourism and hospital	US$ 28,4 billion
Dalian Wanda	Real estate, entertainment, tourism…	US$ 21,6 billion
Legend Holdings, Ltd	Financial and property investment; IT - including computer production (Lenovo computers is a wholly owned Legend subsidiary)	US$ 19,8 billion

Source: The authors' research is based on China's Top 500 Enterprises and China Global Investment Tracker

Unlike Chinese state-owned companies that invest mainly in traditional energy sources on the global markets, as table 2 indicates, private Chinese companies are mainly oriented towards tertiary sector. Private companies primarily invest in entertainment, tourism, IT sector, logistics and transport. In a way they are concentrated on new (modern) types of economy, while state-owned companies prefer traditional economy to invest into. Also, regions in which they invest are different. For state-owned companies the dominant areas of investment are Africa and the Middle East, while the preferred markets for the private companies are North America, South America and Europe (Germany, France, Italy and Great Britain).

Although the government's support is immense and the determination of Chinese enterprises to succeed on the international business markets is obvious, not all investments have proven to be successful, even though they have met all preconditions to become so. There were different reasons why they have not been successful in that, and later in the text these reasons will be analyzed. Here, however, some of the interesting examples of successful and unsuccessful investments will be presented.

Tianjin Tianhai (part of the HNA Group), that is primarily doing business in the field of logistics, tourism and transport, has bought a large American IT company Ingram Micro for 6.07 billion dollars, and in that way expanded their activities into the sector of information technology. The purchase was completed in December 2016. However, it should be noted that the HNA Group is one of the largest and most active investment groups in China, and that just in the last two years, they have spent over 15 billion US dollars on investment projects around the globe. An investment that might stand out most, and which had considerable resonance in the business world was the purchase of 25% stake in Hilton Group, a well-known name in the hotel industry. The transaction was completed in January 2017, with the value of the investment estimated at 6,5 billion US dollars. Following these two transactions, according to data coming from Bloomerg.com, there was a significant jump in the of HNA Group share price. In addition to that, HNA group recently made a new strategic partnership with a famous American company Uber, currently the world leading company in the field of cheap taxi transport. (http://fortune.com/2017/07/24/fortune-global-500-hna-group-china/, accessed 09.09.2017)

Shuanghui International is a part of WH group, the largest meat processor in China. They purchased Smithfield Foods for US$ 7 billion in 2013, in that way having become the world leader in the production and processing of pork meat (http://www.wh-group.com/en/about/milestones.php, accessed 10.09.2017). It is interesting that so far, this has been the only investment in this field by a Chinese investor. WH Group is usually known for some European acquisitions (eg. Germany, Belgium and Netherlands), but the amount of those investments is not even close to that one made in the USA by purchasing Smithfield Food. That investment made by Chinese company is a major breakthrough on the US market. (http://www.extracrispy.com/food/555/smithfield-ham-was-bought-by-a-chinese-company-three-years-ago-has-anything-changed, visited 10.09.2017.)

Dalian Wanda Group is a Chinese conglomerate that reached the spotlight in 2012 when they bought the second largest cinema chain in the United States - AMC Entertainment Holdings for US$ 2.6 billion. Wanda Group also purchased Legendary Entertainment Hollywood production company, an American giant in the entertainment industry. The value of this acquisition was US$ 3.5 billion. In 2015, Legendary suffered a net loss of $540 million, according to a regulatory filing that Wanda Film filed on the Shenzhen Stock Exchange. In March, Dalian Wanda was forced to quit $1 billion job deal with Dick Clark Productions, the company that owns the Golden Globes and Miss Universe telecast. The main reason for quitting the job was the control of capital outflows by the government in Beijing. Two months later, Wanda sold a majority stake in

13 theme parks to property firm Sunac China Holdings and handed 77 hotels to R&F Properties, another real estate company based in the southern city of Guangzhou, for $9.5 billion.

Meanwhile, Fosun International bought the French resort operator Club Med, which had been an unprofitable company until then, eventually agreeing to a $1.1 billion price tag in 2015 after a long takeover battle. The firm made a small profit last year, about US$18 million, according to Fosun's financial reports, which was unexpected. (https://www.nytimes.com/2017/08/18/business/dealbook/china-companies-deals-debt.html, visited 10.09.2017.)

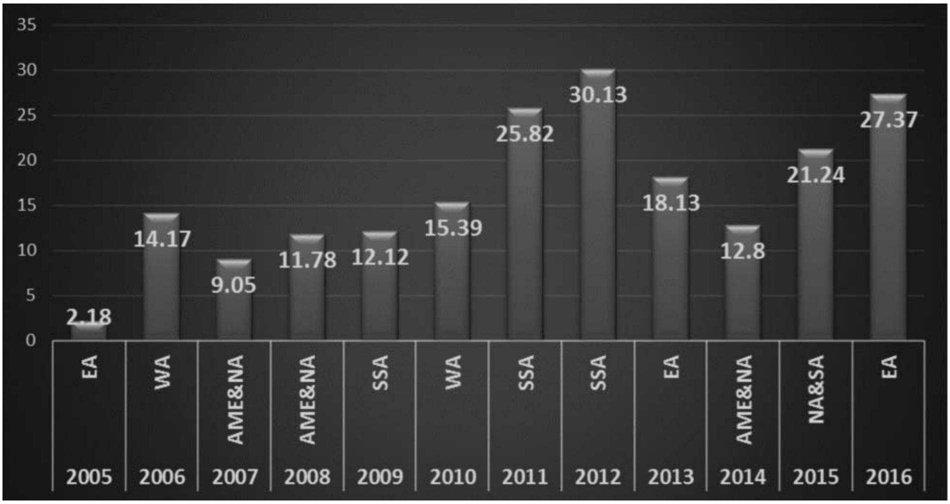
"In June 2005, China National Offshore Oil Corp (CNOOC) proposed to acquire all outstanding shares of Unocal for 67 USD per share, or a cash total of 18.5 billion USD. Unocal, an independent natural gas and crude oil exploration and production company, received the acquisition proposal from CNOOC. However, CNOOC withdrew its bid for Unocal in early August due to strong political opposition in the United States of America. CNOOC's competitor Chevron completed its acquisition of Unocal by mid-August, even though its offer was worth 700 million USD less than CNOOC's bid." is one of the example that is cited by Zhang and Ebbers (2010, p. 102)

In 2016, AC Milan, the Italian soccer club that was acquired by a Chinese consortium for about $870 million, made a net loss of about $88 million, and this was also surprising result.

Regional structure of Chinese investments

Chinese companies are present on almost all continents, but as time goes by they are slowly changing their target markets. At the beginning of Going Global Policy, Chinese companies mostly focused their foreign investments on East and West Asia, with the remark that in the period from 2002 to 2009 investments were acquired by state-owned companies in the field of energy and infrastructure. The countries in which they invested most money were Indonesia, Iran, Laos and Myanmar. After 2006, the focus changed, (graph 1) and in that year they invested most in Middle East and some countries of East Africa.

Graph 1. Destination of Chinese investments from 2005–2016, in billion USD[4]



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group.

At the beginning of 2007, many large Chinese companies had their focus on the markets such as the UAE and Kuwait, which were growing rapidly both in construction as well as in the energy sector (this applies in particular to the exploitation of oil). The value of the investments in 2007 and 2008 exceeded 20 billion US dollars.

In the following years, in addition to the above mentioned regions, the Sub-Saharan Africa region became important for Chinese companies, with their focus on the exploitation of ore, gas and precious metals. Besides that, major infrastructural projects such as the construction of roads and railways were also a part of Chinese investments.

In the period from 2010 to 2013, Asia and Africa were still the most dominant markets for Chinese ventures. At the same time there was an increase of the investments in the EU countries and the USA, where they invested in IT and entertainment industry. However, the aforementioned markets continue to be dominant.[5]

In 2015, North and South America became the regions with most Chinese investments, namely the countries such as the USA, Canada, Brazil and Venezuela.

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[4] **Note**: **EA** - East Asia, **WA** - West Asia, **AME&NA** - Arab Middle East and North Africa, **SSA** - Sub Sahara Africa, **NA&SA** - North and South America

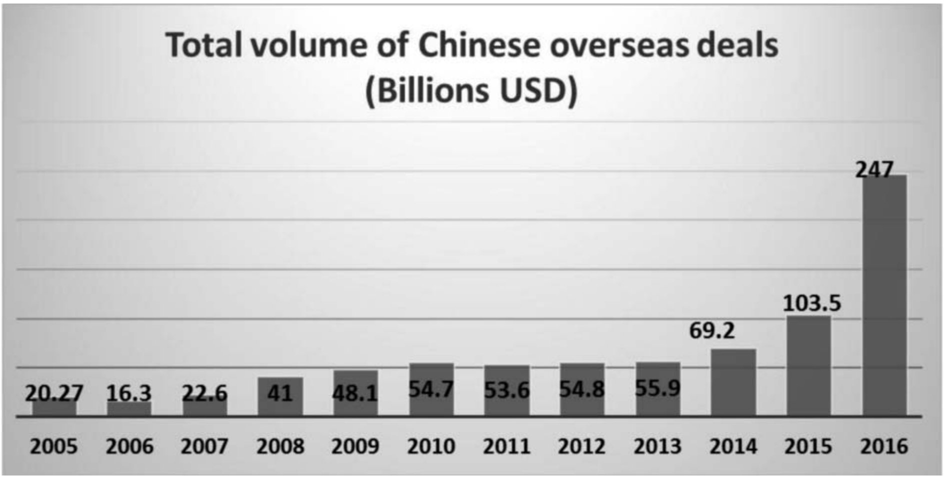
[5] http://www.aei.org/china-global-investment-tracker/, visited 15.09.2017

The leading sectors for their investments were IT, entertainment industry, transport and logistics, real estate and finance.

Next year, this trend did not continue, and the East Asian market became the main focus for Chinese investors. It should be noted that according to Bloomberg.com website the year of 2016 was so far the most important and successful year for Chinese investors, because they spent US$ 247 billion on M&A around the world (showed in graphic 2).

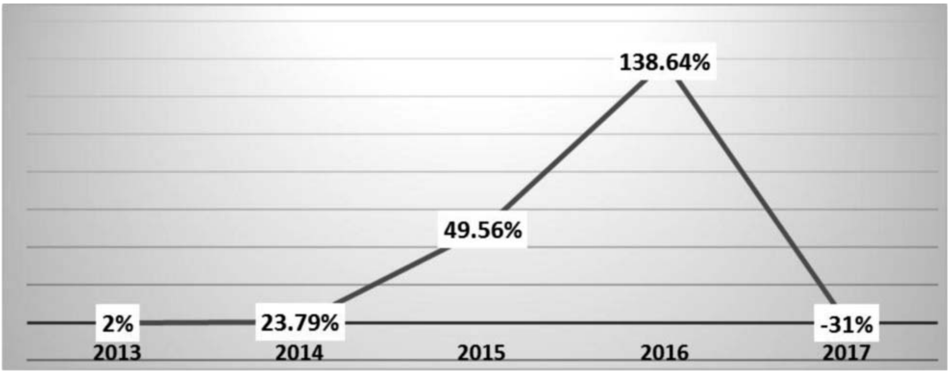
The sectors in which they invested that year were: real estate, entertainment, tourism, IT and technology, transport etc. Although individually speaking East Asia was the leading region for Chinese investments, they were closely followed by Europe and America.

Graph 2. Total volume of Chinese overseas deals in the period 2005-2016, in billions of US$



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

Graph 3. Percentage changes of Chinese overseas deals in the last five years



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group[6]

Although in the last five years investments of Chinese companies experienced a large increase (in percentage - graph 3) and although they reached a historical maximum in 2016, the situation has been different in the first half of 2017. The decrease of 31% can be justified firstly by the decision of the Chinese government to introduce stricter control and ban on suspicious purchases by Chinese companies in foreign markets. (https://www.bloomberg.com/2016-china-deals, accessed 21.09.2017) Chinese State Council gave an official warning about investing abroad: "Those on the restriction list include real estate, hotels, entertainment, sport clubs, outdated industries and projects in the countries with no diplomatic relations with China, chaotic regions and the nations that should be limited by bilateral and multilateral treaties concluded by China. In addition, the guideline also prohibits domestic enterprises being involved in overseas investment that may jeopardize China's national interests and security, including the output of unauthorized core military technology and products, gambling, and other prohibited technology and products." (http://english.gov.cn/policies/latest_releases/2017/08/18/content_281475798846134.htm, accessed 21.09.2017)

Secondly, in the same statement, Chinese Government stated that it will shift the focus on the One Belt - One Road project, so they will invest on infrastructure, and not on buying foreign companies.

Sectoral structure of the investments - "New versus old economy"

As Chinese economy grew stronger and their companies occupied the best positions on the world market, they started to change their strategy regarding

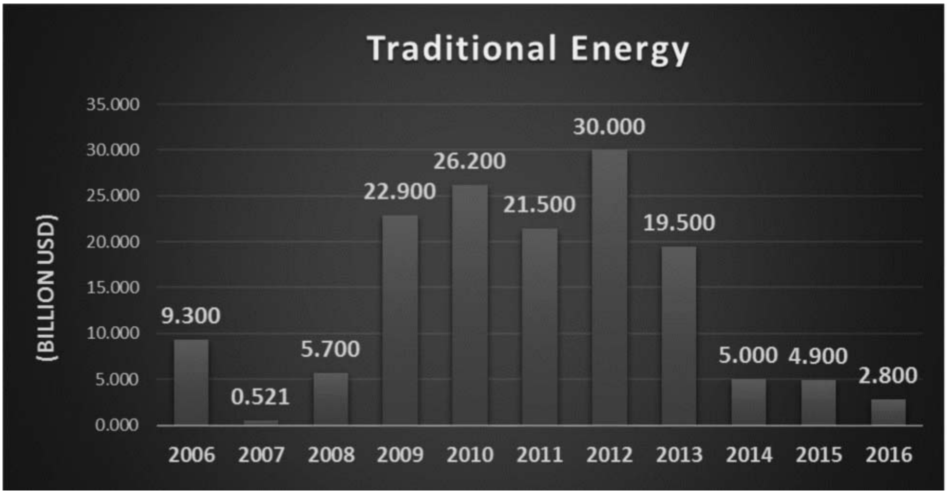
[6] Note: For 2017, results are only for the first half of year.

investments in specific industries. In the period from 2002 until the beginning of 2010, investments in traditional sectors of the economy were dominant (processing of raw materials, mining, utilities and traditional forms of energy), and Chinese SOE's had the leading role in this process. When speaking about that period, the target markets were Asia, Africa and Australia, where large investments were made primarily in the mining sector. Namely, during this transition, large Chinese state-owned systems, such as Sinopec and CNOOC, invested over 60 billion US dollars in the mentioned branches. As for the countries in Asia, investments in Indonesia, Singapore, Cambodia and Myanmar were the most important ones, while investments in Angola, Zambia and South Africa were the biggest in Africa.

During last five years, state-owned Chinese companies have continued to focus on traditional sectors of the economy, but the target markets for their investments have changed. From the African and Asian countries they moved to the Middle East and the countries of the former SSSR, with the main focus on oil-rich countries such as the UAE and Kuwait, as well as the countries rich in gas, such as Kazakhstan, Turkmenistan and Uzbekistan. In addition to their investments in energy sector, Chinese contractors have also been working on large infrastructure projects in the aforementioned countries (construction of roads, railways, water supply, etc.).

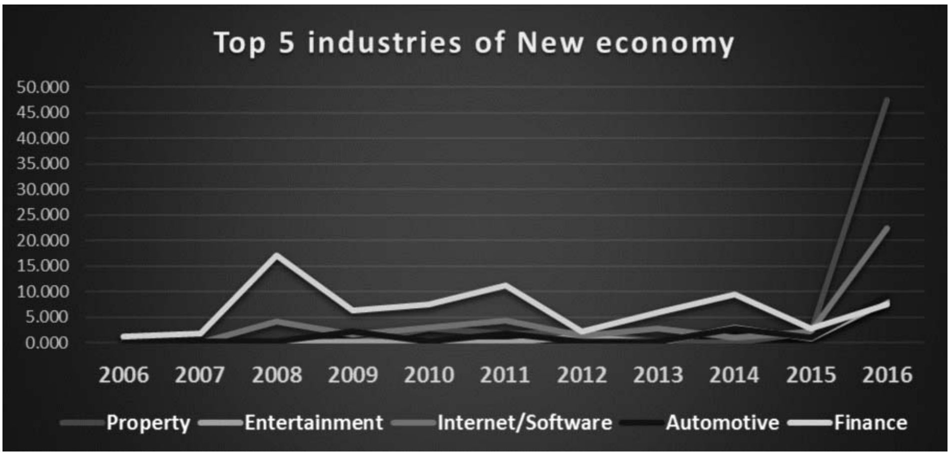
In the last four years, the priority for the Chinese investors on a global market has been to invest in "New Economy", that is in automotive industry, property, finance, entertainment and IT industry (graph 4). The transition from the traditional to the new economy is mostly reflected in the fact that the Chinese economy is constantly trying to strengthening the consumption rather than the exports. Because of that, Chinese investors are concentrated primarily on the purchase of brands, companies in entertainment industry, crop technology, sports and media, with the leading regions for their investments being America and Europe. In the USA Chinese companies use acquisitions as a way of buying companies in the entertainment industry and IT sector, while in the EU countries (UK, Italy, Spain, Switzerland and France) they use acquisitions for purchasing fashion brands, media, sports organizations and crop technology.

Graph 4. Investments of Chinese companies in traditional energy - from 2006-2016, in billion US$



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

Graph 5. Investments of Chinese companies in top 5 industries of New economy *from 2006-2016 in billion US$*

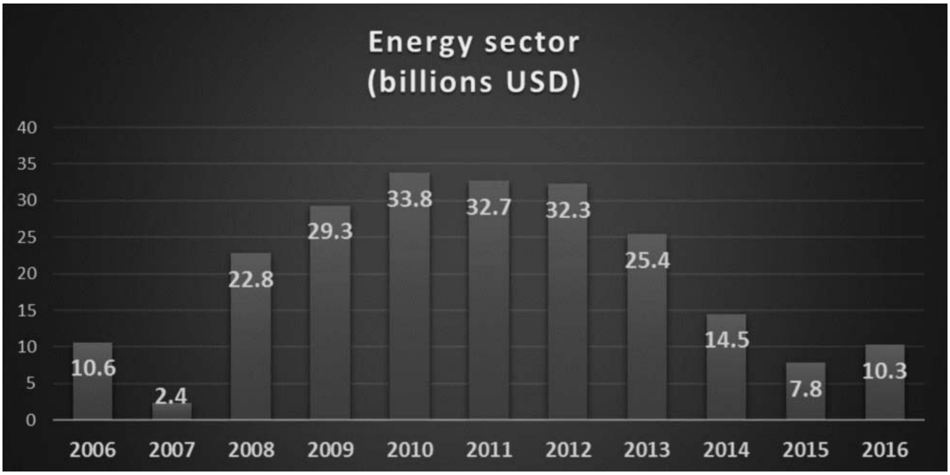


Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

Energy and finance sector – most successful *Going Global* examples

Although Chinese companies are buying companies all over the world and in almost all sectors, for the last ten years the following two sectors have been most dominant for their investments: the sector of energy and of finance. Chinese companies have started investing in energy sector since early 1990s. In fact at that time many state Chinese companies were focused on large projects in mining and oil exploitation. The countries in which China invested at that time were Congo, Sudan and South Africa. A similar trend continued at the beginning of the 21st century. Chinese companies slowly started to spread their business in Africa, but also in East and West Asia. At the beginning of 2007 the first serious investments in the energy sector were made and that year 13 billion USD were invested into projects in Africa and Asia.

Graph 6. Investments of Chinese companies worldwide in energy sector from 2006-2016, in billions US$[7]



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

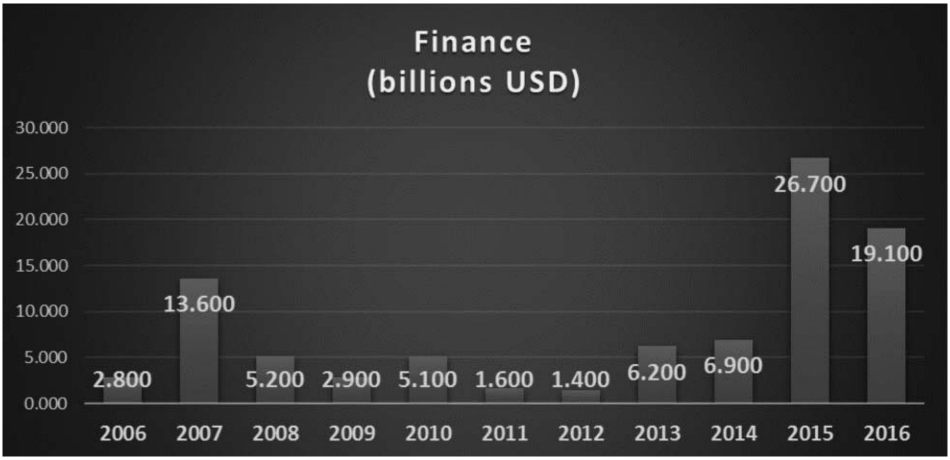
Graph 6 indicates that the real boom in this sector happened in the period between 2008 and 2013. In that period companies from Chinese energy sector were present in the entire world. In recent years the investment in energy sector has been focused on the Middle East, Sub-Saharan African region and in some

[7] **Note**: Energy sector**: 1. Mining**: Subsectors (Forest Products & Paper; Iron/Steel; Machinery-Construction & Mining; Mining), **2. Traditional Energy**: Subsectors:(Coal; Oil & Gas; Oil & Gas Services; Pipelines).

of the former SSSR countries. It should be noted that Chinese state companies continue to play a major role in this sector, primarily due to a series of bilateral agreements that Chinese Government has signed with the host countries. In the past three years, there has been a drop in the investments in this sector, but things are slowly beginning to change due to: 1. decision of the Chinese government that almost all investments in sectors such as entertainment, media, sports, brands, etc. be blocked 2. One Belt - One Road project is their main focus of *Going global* policy. The first result of that decision can already be seen, because in the first half of the 2017 there has been an increase of almost 20%. (http://rhg.com/notes/tectonic-shifts-chinese-outbound-ma-in-1h-2017, accessed 28.09.2017)

Unlike the energy sector, the finance sector is a fairly new investment branch for Chinese investors on the global markets, which has been present only in the last ten years. As graph 7 indicates, except in 2007, when a certain jump was recorded, practically all the way up to 2015, there was stagnation when it comes to investments in this sector.

Graph 7. Investments of Chinese companies worldwide in finance sector 2006-2016, in billion US$[8]



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

The target markets of Chinese investors are not practically changing in this branch. The United States is a leading market, followed by the EU countries (Britain, Belgium and Germany). Unlike earlier mentioned energy sector, in which

[8] **Note**: **Finance:** Banks; Closed-end Funds; Country Funds-Closed-end; Diversified Financial Services; Insurance; Investment Companies; Private Equity; Savings & Loans

Chinese state-owned companies have a leading role, Chinese private equity funds such as Anbang, Fosun, HNA Group etc. have a major role in the finance sector. The finance sector has become popular over the last two years, primarily owing to the acquisitions of large US financial systems, such as Leg Masson, Asset and TPG, but also because of the large investments in banking systems in Europe like Unicredit Bank, Intesa Sanpaolo and Delta Loyd. (https://knoema.com/pvvzaxg/china-global-investment-tracker, visited 29.09.2017.)

THE CHALLENGES OF IMPLEMENTING "GOING GLOBAL" POLICY

In the previous part of the paper the results of Going Global policy have been presented. It is evident that China has made excellent results, and that its further economic expansion is yet to be seen in the upcoming years. Also, it has been stated that in some cases Chinese acquisitions were not successful due to different reasons. Therefore, the paper will proceed to explain the main challenges of implementing this policy.

While analyzing the available literature dedicated to *Going Global* policy, we noticed that different scientist and analysts use different approaches for analyzing the factors affecting the success of this policy, based on the angle of their research. For that reason they will be put in two groups, so that more structured overview could be obtained. For those purposes first macro (from the state point of view), and then micro aspect (from the company's point of view) of challenges that are associated with this policy will be analyzed.

Macro aspect

According to the report written by Economist Intelligence Unit called "China Going Global Investment Index", there are three basic factors that influence the results of Chinese investments abroad, those being: domestic and international risk along with cultural proximity of the countries in which China is investing. (https://china.ucsd.edu/_files/odi2013/09232013_Paper_Liu_ChinaGoingGlobal.pdf, 2013, p. 20-24, accessed September 20th, 2017)

Domestic risk is associated with political risk in the countries in which China is investing. This is mainly related with Chinese state owned enterprises (SOE) that established businesses in the countries with high political risk, but with their government support (e.g. Venezuela, Iran, Algeria, Libya). In many of these due to many changes on the political level, there were huge loses and lost opportunities for Chinese SOEs.

International risk is correlated to bilateral relations (economic and political) that China has with different countries. Although China has many investments in the USA and the EU, there are still many disputes that have been affecting Chinese investments in those countries.

Cultural proximity is also very important when accessing risk. For Chinese Government it is of course always easier to invest in the countries that are situated in Asia (Asia Pacific), because they have similar cultural background and many aspects in common with China. So although at the moment China is investing mainly in the USA and the EU, many business people keep pointing out that different cultural backgrounds affect their business results.

Buckley et al. (2007) also underline political risk and cultural proximity as factors that, along with host market size, geographical proximity and natural resources, influence the end results of Chinese companies abroad.

He and Wang stated that Chines state owned companies (SOEs) are facing hostility in the host countries (for their investments) because, being supported by Chinese Government, they are seen as a huge threat (Szunomár, Biedermann, 2014). They think that since Chinese SOEs have state support they will probably be in a better position for applying for jobs, then they are (companies from the host country). So Chinese Government is aware that in some countries their state companies will not be so welcome.

Micro aspect

From the company's point of view, one of the biggest challenges for Chinese companies doing business abroad is lack of global talents (Zhang and Ebbers, 2010, p. 124; Huiyao and Lu, 2016, p. 144-145). The process of investing abroad is not completed with finding appropriate environment. That is just the beginning. In order to be successful, companies that go global should have a good team of people who will develop business. Most of Chinese managers do lack the experience of working with international teams on international markets. Whatever the strategy for entering international market (acquisition, merger or joint venture) may be, there are a lot of technical and organizational skills that managers do need to have, in order to successfully operate international business.

In addition to that, some of the private companies have a tendency to operate in the countries with high risk, which resulted in some unsuccessful acquisitions. Therefore, planning and accessing risk (for this kind of companies, money is most important) is still a challenge, but usually this kind of enterprises learn from their mistakes.

Zhang and Ebbers, (2010, p. 103) also indicate that companies choose inappropriate strategy for entering international markets, that being one more reason for failures. Each strategy has its advantages and disadvantages, so choosing the right one is crucial. Since most Chinese companies nowadays choose acquisition as their main method for entering global markets, it is easy to see that they are reluctant to share control, and they want to be in charge of a company that they bought. Although it gives them control, this strategy is also very risky, with a lot of potential problems and high expenses.[9]

The challenges that are presented here are not typical only of Chinese Government and Chinese companies. They occur in other countries and in different companies as well. But what is unique for Chinese going abroad is the specific circumstances under which this policy was developed some 15 years ago. While their competitors have a history of almost 100 years doing business abroad, China has been trying to catch up in this race, in which it is almost 90 years late. So while the challenges both on macro and micro level are obvious, China is doing everything it can to overcome the obstacles. Judging by the results so far, those challenges are at least downsized.

CONCLUSION

The aim of this paper was to show history of Chinese *Going global* policy first, and then to analyze the results and challenges that have appeared so far in conducting this policy. After taking into consideration all presented data, the following can be concluded:

1. First 15 years of Chinas Going Global policy were very dynamic. In the first couple of years the results were modest, but after that things changed rapidly. The results during the last years have been impressive. Although China has been lagging behind in having investments abroad, now this country is catching up fast, occupying the second place in the World for OFDI at the moment.

2. Investments of the state owned enterprises abroad were dominant until 2010, and now Chinese private companies are taking the lead.

3. SOEs are still investing in *traditional economy*, while private companies are investing in *new economy*.

4. Regional distribution of Chinese investment during the last 15 years of pursuing Go global strategy has also changed. Nowadays Chinese companies

[9] For more references about the strategies that Chinese companies are using when going abroad see: Zakić K., Radišić B. (2017). Strategies of Chinese Companies when Entering Global Market, Economic and Social Development, 21st International Scientific Conference on Economic and Social Development, Belgrade, 18-19th May 2017, (p. 169-180), Varaždin Development and Entrepreneurship Agency in cooperation with John Naisbitt University, University North, Faculty of Management - University of Warsaw.

mainly invest in the USA, the EU and Asia, while at the beginning they were focused on Asia, Africa and the Middle East.

5. There are a lot of challenges that both Chinese Government and Chinese companies face while conducting *Go global* policy. Some of the challenges are: domestic and international risk, political risk, cultural proximity, hostility in host countries, lack of good international talents, wrong strategies when entering global markets.

6. Although in 2016 China achieved a record volume of OFDI, there has been a sharp decline in the first half of 2017. The focus of Chinese Government is changing, which does not mean that they are not pursuing *Going global* policy, but that they are just shifting their direction. For the last five years Chinese companies have mainly been allowed to invest everywhere and in the industries of their choice, but this will change in the future. One Belt – One Road initiative is the main international project of the Chinese Government, which is why they are moving their investments to the countries that are on the OBOR route. Also, investments will be mainly focused on infrastructure, and not on buying international companies.

Even though China will run a marathon - in metaphorical sense, to achieve things that other countries did long ago regarding doing business globally, its results already are and will remain impressive. Judging by the outcome so far, this strategy of Chinese Government proved to be a successful one, giving the opportunity to China to achieve its final goal – becoming the strongest economy in the World.

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REZULTATI I IZAZOVI KINESKE "GO GLOBAL" POLITIKE

Apstrakt: "Politika otvorenih vrata" je označila prekretnicu u istoriji ekonomskog razvoja Kine, jer je označila spremnost Kine da se otvori ka stranim investicijama. Počev od 1979. godine pa do danas Kina je postala jedna od najtraženijih zemalja po pitanju direktnih stranih investicija (FDI). Kineska ekonomija je druga po veličini u svetu, a jedan od prioriteta kineske Vlade je da postane prva.

Da bi to postigla, Kina je preusmerila svoj fokus sa primanja direktnih stranih investicija na izvoz svojih investicija (OFDI). Usled toga je počela da primenjuje potpuno drugačiju strategiju i pokušala da širi svoje poslovanje van granica zemlje. Tokom implementacije 10-tog (2001-2005) i 11-tog (2006-2010) petogodišnjeg plana razvoja, politika "Go Global" je okarakterisana kao jedna od najvažnijih strategija razvoja Kine. Upravo zato su i kineske direktne strane investicije krenule da rastu i u 2016. godini su dostigle impresivnu sumu od 247 milijardi US$.

Autori ovog rada će analizirati istorijski razvoj "Go Global" strategije, te će sagledati efekte, rezultate, promene i izazove koji su se pojavili do sada u procesu sprovođenja ove politike.

Ključne reči: Kina, *Going global*, istorija, politika, strategija, efekti, rezultati, promene, izazovi.

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