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Abstract:
How do state-business relations interact with outward investment in authoritarian regimes? This paper examines this question in the context of China's rapid transformation into major capital exporter. While most political economy scholarship focuses on firms' economic profiles to discern preferences toward international openness, this paper shows the importance of domestic political status and specifically business's vulnerability to the state in explaining the behavior of firms as they invest abroad and the state's reaction. I present three types of domestic capital that differ in economic and political logic as they go abroad: tactical capital pursues political power and prestige, competitive capital pursues commercial goals, and crony capital seeks refuge from the state and asset expatriation. The Chinese regime's approach to outward investment, which I characterize as mobilization campaigns adjusted over time and combined with targeted domestic regulation, endeavors to treat these different kinds of capital differently, deploying and disciplining tactical capital, enabling competitive capital, and constraining crony capital.

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The "specter of global China," and especially the surge in Chinese outward investment since the early 2000s, has attracted a great deal of scholarly and popular attention.[1] Scholars, journalists, and policy-makers have sought to understand the extent to which China is "buying the world," what it means for both the developing world (presumed to be the target) and developed world (presumed to be the competition), and what patterns of investment can illuminate about whether China is "playing our game" (harmonizing with western political and economic institutions) or pursuing a revised world order.[2] By any measure, China's recent transition from major recipient of global capital to major supplier of capital has been rapid and significant. According to data from the Chinese Ministry of Commerce, the total stock of outward foreign direct investment (OFDI) owned by Chinese firms in 2017 was 1.8 trillion USD, sixty-two times the 2002 amount. As a percentage of global capital flows, China in 2017 was the second largest sender of OFDI, comprising just under ten percent of global FDI flows.[3] In 2016, China accounted for more than ten percent of the global total of cross-border acquisitions, surpassing even M&A activity from the United States.[4]

China's expanding global economic reach presents a "pathway case" in which to examine the intersection of two questions important to comparative and international political economy (IPE) that have rarely been examined in tandem.[5] The first concerns the political role of capitalists in authoritarian regimes. While a classical literature assigned capitalists a role in democratization, more recent analysis has explored how and why contemporary capitalists have more often found common cause with authoritarian rulers than their opponents. This scholarship typically examines the various domestic factors that affect the relationship between business and the state, but has less often incorporated questions of how globalization and open economies can change incentives, behaviors, and power relations among firms and regimes. The second question concerns how firms both respond to and shape state policies on globalization. Because advanced industrial democracies tend to dominate as sources of global investment, IPE has yet to wrestle with how politics affects firm preferences and instead focuses exclusively on economic factors. State-business relations in authoritarian and/or developing countries figure into explaining globalization outcomes only when looking at how and why states liberalize to inward investment or not.

Understanding how China's rise affects the global order and how the global order affects Chinese domestic politics requires developing theory about the preferences and behaviors of Chinese firms. This paper accounts for empirical patterns in Chinese OFDI and the evolution of the Chinese state's policy toward OFDI by looking to the regime's management of different kinds of capital. The paper makes two related arguments. First, I show how three types of domestic Chinese capital—tactical, competitive, and crony—pursue globalization in different ways. Tactical capital is deployed for political purposes, either to pursue the strategic goals of the Chinese state or to enhance the political prestige and power of the managers and/or firms who deploy it. Competitive capital, in keeping with the theoretical expectations of the international business literature, seeks markets and/or efficiency for greater profits or revenues; and crony capital seeks to transform domestic access into international safety. Second, I show that the Chinese state treats these different types of capital differently, aiming to deploy tactical capital for strategic objectives, empower competitive capital to pursue global accumulation, and restrain crony capital. Disaggregating capital helps make sense of the PRC's approach to managing outward investment, which is best described as a set of campaigns that are constantly adjusted and accompanied by targeted domestic regulation. Such an approach is consistent with the CCP's management of domestic policy change and economic reform and aims to maximize the party-state's own discretion vis-à-vis international events and its own domestic constituents.[6] Disaggregating capital also provides a useful heuristic for analyzing contemporary Chinese political economy, in which the state-private dichotomy that has long animated work on state-business relations has become less relevant.

The next sections address empirical puzzles in China's OFDI and theoretical problems of domestic politics and outward investment in authoritarian regimes. I then introduce a typology of Chinese capital as it internationalizes, focusing on the logic of accumulation rather than firm type or firm ownership. The final section shows how management of different capital types figures into the CCP's approach to internationalization by looking to two specific campaigns: the Belt and Road Initiative (BRI) and Made in China 2025. The arguments presented— including the typology, firm vignettes, and description of the state's reaction to various forms of capital— are based on extensive field and documentary research with firms in China and abroad. Between 2016 and 2019, I conducted interviews with individuals from 96 firms and 48 former and current government regulators. Appendix A includes more detailed information on interview process and subjects. Where possible, I cite written documents instead of interviews, both to avoid identifying information of subjects and to enhance research transparency. In addition to this fieldwork, I present descriptive data on general OFDI trends and on specific companies' outward investment strategies and especially mergers and acquisitions (M&A).[7] The time period under study is roughly 2008 to 2019, during which both Chinese OFDI increased exponentially and various dynamics in China's domestic politics illuminate the mechanisms described most clearly. The conclusion further expands on the implications and applicability of the argument.

I. Empirical Puzzles of China's Outward Capital Regime

China's rapid rise as global investor presents at least two empirical puzzles. The first is the pattern of investments themselves. Thus far, research on Chinese OFDI primarily focused on the outsized role of the state in determining the nature of outward investments. International business scholarship has tended to focus on the activities of central-level state-owned enterprises (SOEs). Research on the determinants of China's FDI has nearly universally concluded that China's OFDI does not "fit the mold of past successful FDI" predominantly because it is imbalanced in favor of SOEs, who appear to prefer large, politically risky markets with natural resources.[8] Since the global financial crisis, however, new empirical patterns in Chinese outward investment require re-examination of these conclusions. First, OFDI over the last decade has been driven by non-state-owned firms. According to Chinese official data, the share of OFDI stock owned by state-owned enterprises has fallen from 81% to 51% between 2006 and 2017. In 2016, 68% of OFDI came from non-state firms. While SOEs still own more than half of China's outward investment, the rise of non-state firms has been rapid and substantial, especially noting that SOEs tend to invest in capital-intensive infrastructure or extractive industry projects. In terms of transactions (as opposed to capital volume), SOEs accounted for a very small share (5.8%) of outward deals in 2015, the majority pursued by non-state-owned limited liability corporations (67.4) with non-listed firms at 9.3%.[9] Second, and relatedly, OFDI since the global financial crisis has not gone primarily to developing world countries with weak political institutions but has been directed to the developed world, where Chinese companies have accelerated mergers and acquisitions (M&A) activity as well as greenfield investment in industries ranging from culture and entertainment to finance and healthcare. Figure 1 displays data from the American

Enterprise Institute's China Investment Tracker by destination from 2005 through 2018. The data show significant growth in outward OFDI activity after 2012, and also that the most growth comes from investment in Europe and the United States.[10] Making sense of these trends requires a more granular understanding of what kinds of firms pursue what kinds of investments and why.

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[1] Ching Kwan Lee, *The Specter of Global China* (Chicago: The University of Chicago Press, 2017).
[2] Peter Nolan, *Is China Buying the World?* (Malden, MA: Polity, 2013); Edward Steinfeld, *Playing Our Game* (New York: Oxford University Press, 2010); Han Shih Toh, *Is China an Empire?* (New Jersey: World Scientific, 2018); Jessica Chen Weiss and Jeremy Wallace, "Domestic Politics, China's Rise, and the Future of the Liberal International Order," *International Organization* (forthcoming, 2020).
[3] OECD data. Note that, in 2018, global FDI plummeted over 30 percent, and especially FDI from the US, where outward flows were net negative in 2018.
[4] U.N. Conference on Trade and Development, World Investment Report 2017, 230-1, cited in Jeffrey Gordon and Curtis J. Milhaupt. "China as a 'National Strategic Buyer,'" *Columbia Business Law Review*, 192 (2019), 197.
[5] A "pathway case" is one in which unknown causal mechanisms are elucidated when general directional causal relationships are known. Pathway cases allow scholars to discover mechanisms at work. In terms of outward investment and authoritarian regimes, we have little core theory on which to build save for knowing that state power affects globalization and globalization affects state power. John Gerring, "Is There a (Viable) Crucial-Case Method?" *Comparative Political Studies*, 40:3 (March 2007), 231-253.
[6] Andrew Nathan, "Policy Oscillations in the People's Republic of China: A Critique," *China Quarterly*, 68 (December 1976), 730 and 733.
[7] Because M&A activity by definition involves at least two firms in two different jurisdictions, data on these transactions are of higher quality and granularity than general data on outward investment (aggregate totals of flows or stocks) or other forms of OFDI, including greenfield investment. Most research on China's OFDI has looked at aggregate stock and flow data, which tends to bias analyses toward SOEs because they are typically concentrated in "strategic" sectors that are capital intensive, e.g. natural resources or infrastructure.
[8] Randall Morck, Minyuan Zhao, and Bernard Yeung, "Perspectives on China's Outward Foreign Direct Investment," *Journal of International Business Studies*, 39 (2008): 337-50; Peter Buckley, L. Clegg, Hinrich Voss, Adam Cross, Xin Liu, and Ping Zheng, "A retrospective and agenda for future research on Chinese outward foreign direct investment," *Journal of International Business Studies*, 49 (2018): 4-23; Joseph Fan, Randall Morck, Lixin Colin Xu, and Bernard Yeung, "Institutions and Foreign Direct Investment: China versus the Rest of the World," *World Development*, 37:4 (April 2009), 852-865. For a different take and more granular data, see Boliang Zhu and Weiyi Shi, "Greasing the Wheels of Commerce? Corruption and Foreign Investment," *Journal of Politics*, 81:4 (October 2019).
[9] "2015 Statistical Bulletin of China's Outward Foreign Direct Investment (年度中国对外直接投资统计公报。)," Ministry of Commerce, National Bureau of Statistics, and the State Administration of Foreign Exchange (2015).
[10] The China Investment Tracker follows companies known to invest overseas and tracking their activities. Note that "West Asia" includes both South Asia and Eurasia. See http://www.aei.org/china-global-investment-tracker/.

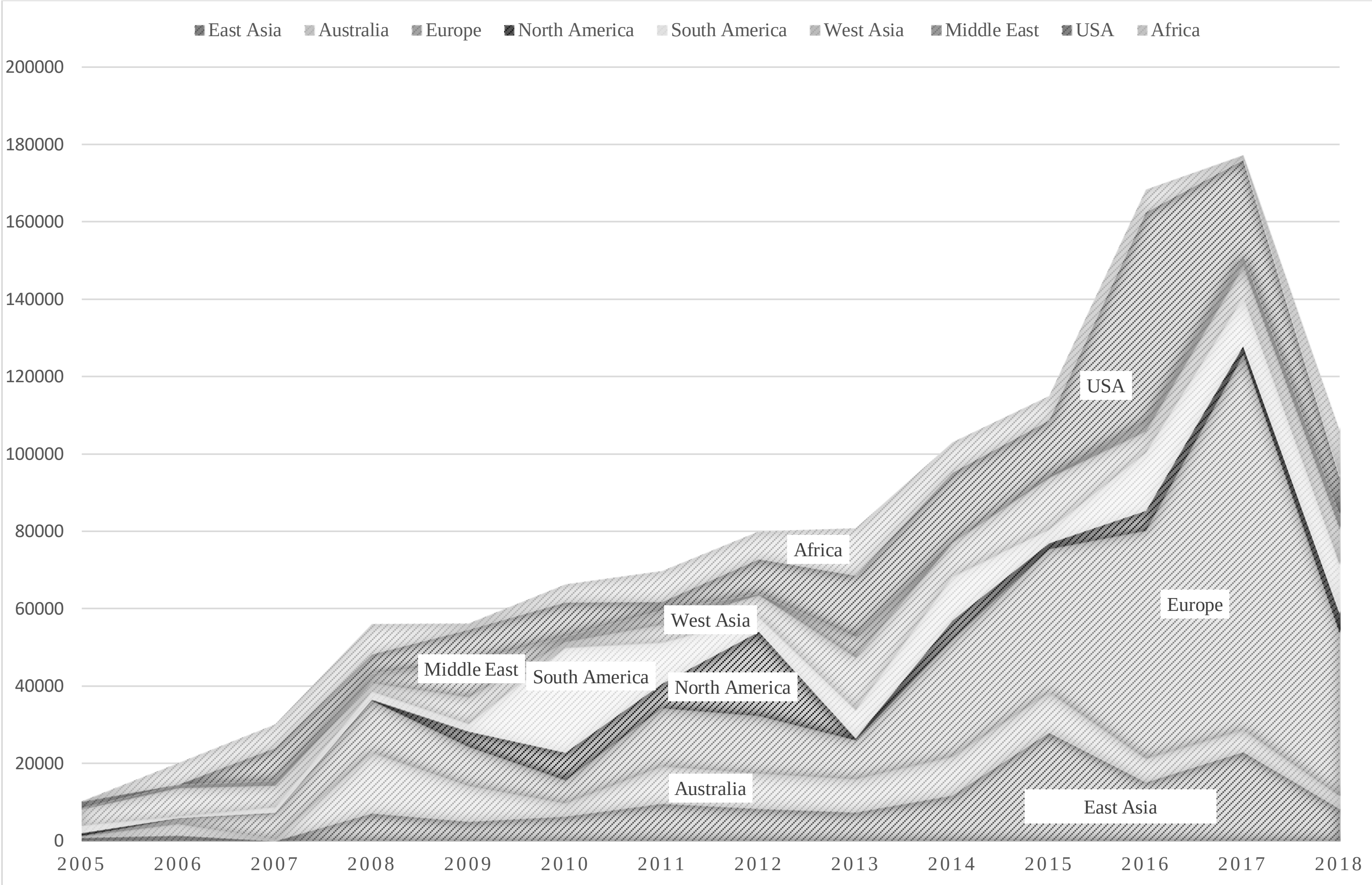

Figure 1: China's Outward OFDI by Region, 2005-2018 (millions USD)

Source: China Investment Tracker, American Enterprise Institute

A second puzzle is policy adjustment in the Chinese state's policy toward outward investment. Rather than increasing liberalization and enhancing domestic "push" factors, China's policy toward outward investment has been ambivalent and vacillating. Policy pushing Chinese firms, especially state-owned enterprises (SOEs) to "go out" started in the late 1990s and early 2000s, and the years preceding the global financial crisis of 2008 saw mostly SOEs expanding internationally.[11] In the wake of the 2008 crisis, firms of all types from China pursued OFDI, and by 2013 Xi Jinping declared the Belt and Road Initiative (henceforth BRI), an effort to facilitate OFDI on a massive scale. Beginning just two years later, however, the CCP imposed strict capital controls and sector-specific restrictions on OFDI, and by 2018 the party-state announced it would "recalibrate" the BRI and had nationalized one of the country's largest outward investors (Anbang) while forcing many others to unwind global investments. Answers to both of these empirical puzzles require theorizing about actors in China's outward investment whose political role has received little systematic attention: firms.

II. Theoretical Problems: Domestic Politics and Outward Investment

China's outward investment engages two theoretical questions of interest to comparative and international political economy. The first concerns the approaches of home country governments toward the international investments of firms, or why and how home governments encourage firms to "go out." The second question concerns the preferences of domestic actors toward global openness.

The question of home country policy toward OFDI has received little attention from political scientists, who focus, instead, on explaining host country policies (why and when countries open to global capital) and the various effects of FDI.[12] The major exception to this neglect is the literature that emerged in response to the rapid rise in OFDI from Japan during the 1970s and 1980s and, to a lesser extent, South Korea in the 1980s and 1990s.[13] The basic pattern of Chinese OFDI fits some of the patterns associated with Japanese and Korean internationalization: initial overseas investments were concentrated in natural resource sectors, after which rising domestic wages, some currency appreciation, some trade conflict and a domestic foreign exchange glut were associated with a dramatic increase in OFDI in a wide variety of sectors.[14]

In other ways, however, Chinese OFDI is significantly different. Principally, consider the very large presence of the state itself as owner, as well as subsidizer, of internationalizing firms, and the presence of large-scale political imperatives to go out, which I discuss below. The growth of OFDI from a country with a significant fusion of state and economic interests has been a source of alarm for host countries and the primary focus of analysis for scholars examining Chinese internationalization from a range of disciplinary perspectives. Second, Chinese policy toward OFDI has been less consistent than Japanese or Korean policy, moving from strong exhortations to "go out" to moves to restrain or discipline firms investing abroad. Moreover, China is governed by authoritarian party-state with little transparency and few formal limits on state authority. In combination, these factors have led observers to associate nearly every international action of a Chinese firm with an actual or potential strategy on the part of the Chinese state.

The actual relationship between firms' internationalization strategies and the CCP's priorities, however, is best treated as an empirical question, albeit one increasingly difficult to observe. How do Chinese firms, whether formally designated as privately- or state-owned, react and respond to the CCP's goals for internationalizing China's economy? If, as many assume, firm actions are manifestations of the party-state's agenda, why has economic policy on internationalization both pushed firms abroad and punished them for outward expansion?

The answers to these questions involve theorizing how domestic preferences toward internationalization (in this paper, specifically outward investment) are structured in an authoritarian context. In doing so, this paper draws insights from comparative politics of authoritarian regimes into international political economy, in which the "open economy politics" (OEP) paradigm provides the dominant, but not exclusive, view of how firms and nations operate in the international economy: "relevant political actors and their interests are defined by their production profile or position in the international economy."[15] This paper, through the study of China, adds an explicitly political dimension to the structure of domestic business preferences. Particularly in authoritarian regimes, in which business elites face special vulnerabilities, domestic political status affects firm preferences as much if not more than either their production profile or status in the global economy.

Domestic business actors in authoritarian regimes are all more vulnerable than their counterparts in regimes governed by the rule of law, where individuals presumably do not face potential risks of imprisonment, exile, expropriation, or worse. But within authoritarian regimes, domestic business classes are internally differentiated by, among other things, ethnicity,[16] the composition and fixity of assets, the degree of dependence on the state for important inputs,[17] size, and social self-conceptions.[18] My argument is that that firms with different domestic political statuses exhibit different patterns of overseas investments.

Disaggregating "Chinese investment" with attention to varying political vulnerability resolves the puzzle of apparent instability in China's internationalization policy. The CCP pursues internationalization to achieve its own economic and strategic objectives, and Chinese firms of many varieties respond to CCP policy by taking advantage of state policy or appearing to align with state objectives to pursue their own interests. More specifically, tactical capital pursues accumulation of political prestige or state strategic power by investing abroad, competitive capital seeks markets, efficiency, or both, and crony capital seeks safety through asset expatriation. The party-state then refines its approach toward outward investment to respond to the behavior of firms, seeking to deploy and discipline tactical capital to pursue strategic objectives, enable competitive capital to pursue profits and expansion, and constrain crony capital. Generally, the approach to internationalization has been dynamic, featuring campaign-styles mobilization to push capital abroad, following by adjustments to those campaigns and domestic regulation and targeted capital controls.

III. Varieties of Capital, Varieties of Internationalization

For more than a generation, scholars and observers of the Chinese economy have viewed firm ownership—state or private—as the dominant mode of differentiation among firms. This analytical distinction, however, has become less helpful over time as both "state" and "private" have become categories with porous boundaries, overlapping features, and important internal distinctions.[19] In the category of "state" ownership, extensive empirical research on the functioning of SOEs has found that they have a complex set of goals and bottom lines, and the individuals managing them are pursuing varied strategic objectives related to their firms and their own personal advancement.[20] Beyond the category of state firms, state capital is increasingly suffused throughout the Chinese economy in ways that complicate a neat distinction between state and non-state firms, for example through the rise of large shareholding companies that participate in equities markets or the use of state capital through "industry funds," most recently associated with the Made in China 2025 innovation push.[21]

"Private" capital, for an earlier generation of scholarship, connoted entrepreneurial capital independent from the state and managed by private individuals.[22] A cursory glance at the business landscape over the last decade or so, however, suggests the myriad ways in which politics and political connections structure the landscape for private capital. Journalists working for high profile western media outlets have published documentary confirmation of the extent of fortunes amassed by top political leaders and their families.[23] Academic scholarship has also established the importance of political connections in a number of ways.[24]

Instead of imagining that all state-owned firms pursue the state's interest when they invest abroad and all privately-owned firms pursue commercial interests, I identify three types of capital that differ in the logic of their international pursuits. Tactical capital pursues the strategic interest of the Chinese state through economic investment, sometimes called "economic statecraft,"[25] and/or enhanced political status for firms and their managers. Rather than economic value alone, it seeks to accumulate political prestige for its managers and power for the Chinese state. Competitive capital pursues internationalization for reasons similar to those predicted in the international business literature: commercial motives for greater revenues or profits drive expansion into overseas markets or increased efficiency through reducing costs or acquiring enhanced technological or managerial resources. Crony capital expands overseas in pursuit of political safety, seeking to turn special access to resources in China—land, assets undergoing privatization, easy access to cheap credit—into secure assets abroad and beyond the reach of the Chinese state. Both tactical and crony capital tend to benefit from privileged access to domestic credit, but they deploy capital internationally for opposite reasons: tactical pursues closeness to the state or state goals while crony pursues refuge from the state. Table 1 presents these ideal types of capital, their logics, likely firm sources, exemplary firm sources, and the state's policy treatment.

Table 1: A Typology of Capital in Contemporary China

Capital Type	**Tactical**	**Competitive**	**Crony**
Logic in outward investment	Political prestige for managers; political power for the Chinese state	Capital accumulation; pursuit of revenues and profits through access to markets and greater efficiency	Refuge from the state; safety; personal wealth and security through asset expatriation
Likely Firm Sources	Firms owned by the state; some national champions; sectors related to national security or with strategic value	Firms not reliant on the state for critical inputs	Firms reliant on political connections for inputs; firms whose strategies depend on political connections and special access
Examples	Sinopec; COSCO; Huawei	Alibaba; Huawei; most SMEs	Anbang Insurance; HNA
State Policy Treatment	Deploy and discipline	Enable	Restrain

Source: Created by author.

I devote the remainder of this section to describing these types of capital and the next section to the ways the Chinese state tries to differently manage them. A few words about conceptualization are in order. First, I use the term "capital" in the sense it is deployed in both the political science and sociological traditions. An established literature in political economy looks at the structural constraints imposed on governments by the private control of investment capital and by capital mobility.[26] Likewise, this inquiry is about the interaction between different sources of outward investment and the Chinese state. In China, of course, investment assets are not fully controlled by the private sector, but different sources of investment capital nevertheless have different political constraints and incentives that do shape allocation of assets and the relationship between capital and the state. In the sociological tradition, capital is a "relational process" by which value (financial investment assets, in this case) pursues accumulation. Following scholars who have documented how different forms of capital pursue accumulation in different ways and with different effects, I suggest that different sources of capital in China follow different political and economic logics and therefore generate different responses and relations with the Chinese state.[27]

These categories of capital are ideal types meant to describe different logics of accumulation in going abroad. As a unit of analysis, firms do not fall neatly into one category or another; many firms adopt more than one of these logics when they send capital abroad. Nonetheless, certain firm types can be more typically associated with certain kinds of capital, and I indicate these firms in Table 1. Lastly, this conceptualization has theoretical and empirical benefits in explaining firm behavior and state reactions, but it also presents methodological limitations. While it would be convenient for social science purposes to offer a deductive means by which to distinguish one type of capital from another, doing so would fail to capture the actual politics regarding outward investment from China. As the below demonstrates, actors of all kinds attempting to cast their actions in terms of the state's strategic goals—what one scholar of the early PRC called "adept dissimulation"—as well as engaging in purposeful obfuscation.[28] My argument is that the dynamic politics that characterize the Chinese state's approach to outward investment are indeed the state's own efforts to disentangle different capital types and therefore make policy to differently manage them. Moreover, debates in host countries about whether to welcome Chinese investment, and, if so, what kinds, also reflect attempts to disentangle different logics of accumulation. I return to the benefits of this kind of conceptualization, including the importance of separating capital logics from firms themselves, below.

Tactical Capital

Tactical capital purses accumulation of political power and prestige, whether for firms and their managers or for the Chinese state itself, and these two pursuits are sometimes in tension. The global efforts of state-owned enterprises (SOEs) have been the focus of much of the social science literature, popular commentary on, and political controversy over Chinese outward investment, but they are neither the only sources of tactical capital nor is all of their outward capital tactical. SOEs are controlled by either central or local State Administration (SASAC) bodies.[29] Their executive leadership is appointed by the organizational department of the CCP, and therefore serves at the discretion of the party-state's higher leadership, a fact that affects executive choices and allocation of firm resources within and beyond China's borders. Increasingly, however, scholars and policy-makers are concerned with tactical capital as it comes from non-state-owned firms.

SOEs occupy a particular place in the domestic political landscape; they benefit from access to special resources, such as low-cost capital and state monopolies, but they are also encumbered with special responsibilities related to the CCP's domestic and international political goals. Managers must tread carefully in pursuing their firms' interests lest their actions reflect negatively on the Chinese state. In the Zambian mining sector, Ching Kwan Lee finds that state firms are driven by a "more encompassing set of imperatives" that includes profit-making but also "extending China's political and diplomatic influence," a fact that constrains rather than liberates firms: "Exactly because of its more ambitious agenda, which cannot be reduced to profit, Chinese state capital has been more concessionary and negotiable with Zambian state and society than global private capital."[30] Relatively easy access to capital and the need for global investments to reflect positively on the Chinese state—or at least avoid negative political attention that might endanger the careers of SOE managers—combine to make tactical capital from SOEs a version of "patient capital" overseas. They appear more tolerant of risk, willing to forgo timely returns for positive political impacts or goodwill, and generally operating with much longer time horizons than either global finance capital or competitive capital from China.

Invariably, SOEs are senders of tactical capital, but they are not the only firms that deploy it nor are all their overseas engagements in pursuit of political prestige or state power. In many cases, SOEs can use international investments and entry into new markets to liberate them from domestic constraints. Yi-Chong Xu, in an intensive study of State Grid Corporation, shows that their internationalization strategy unfolded via "an iterative process during which the government broadly defined policies that defined incentive structures within which firms operated." Xu argues that State Grid's overseas investments follow either a profit maximization logic or a political one, in which outward investments shore up market position and legitimacy, especially in the realm of international standard-setting, in the face of "domestic political and regulatory uncertainties." [31] William Norris shows how the negative political backlash from China's National Oil Companies' (NOCs) involvement with unsavory regimes resulted in the state limiting their activities there, which were quite lucrative.[32] In these scenarios, SOEs are senders of both tactical and competitive capital, and these imperatives can be in contrast with one another.

Indeed, the conceptual categories of capital provide a useful way to view the controversy over high-profile technology firms such as Huawei and ZTE. Both firms have their origins in state organizations and support, but have also grown through innovative management and navigation of competitive pressures within China and beyond its borders. Their status as "national champions" and their ties with the state, formal and informal, have made the firms targets of foreign governments, especially the United States, suspicious of China's international technology ambitions and wary of tight state-business ties among firms who access US markets and customers. In terms of the conceptualization here, the controversy over ZTE and Huawei has essentially been about whether to classify their activities as tactical or as competitive, i.e. whether they are pursuing international investment on a logic of markets and efficiency viewed as legitimate in global markets or according to a more strategic logic of the Chinese national interest. As I argue below, the Chinese state wants to enable both competitive and tactical capital abroad, and competitive logics can be stymied by tactical imperatives, even for the activities of a single firm. Lastly, I describe capital pursuing accumulation of political power as tactical because it signals intent rather than achievement: such capital is deployed as a political tactic but it does not translate into enlarged firm or state political power. Frequently, tactical capital can subvert the state's strategic goals, and therefore I show in the next section how the state aims to both deploy it and discipline it.

Competitive Capital

In an authoritarian regime with a strong state and a historically dominant economic role that affords the regime control over critical inputs to production such as land and capital, very few businesses with substantial assets could be said to have no connection to the state. While most firms in China have political connections, most are informal, local, and arms-length, and, critically, many firms are not dependent on political connections for access to resources for revenues and profits. Competitive capital accumulates domestically primarily through market competition rather than through special access through political connections.

The internationalization strategies of competitive capital follow what we may expect from multinational firms anywhere: they pursue markets by investing in sectors and geographical areas in which they are likely to enjoy a competitive advantage, and they pursue efficiency by moving certain parts of their operations to areas where they can enjoy a lower cost advantage. AntFinancial provides a typical example. AntFinancial (蚂蚁) runs Alipay as well as a large money market fund (Yu'e bao). A company spokesman described the overseas expansion strategy as "Southeast Asia, then South Asia, then Middle East and Africa."[33] The company pursued acquisition of online payment and financial technology firms in Thailand and Malaysia, where it could deploy its accumulated knowledge of operating in thin institutional environments (i.e. where credit rating institutions were underdeveloped) and accessing consumers in rural areas. Its activities in developed markets, such as Korea, were oriented toward paving the way for Chinese tourists to use the company's products as they traveled abroad. Between 2001 and 2017, Alibaba, AntFinancial's parent company, pursued dozens of M&A deals abroad worth at least $7 billion USD. The deals vary in geography, and acquisition targets are in sectors we might expect for a large company with expertise in e-commerce, e-payments, and IT in the world's largest developing country. Deals in developed countries, such as acquisitions of Silicon Valley mobile technology companies, are almost all in pursuit of technology acquisition, while developing country deals facilitate market entry in places like Southeast Asia and India.[34]

While tactical and crony capital benefit from privileged access to cheap credit, competitive firms face greater budget and political constraints. Gallagher and Irwin have estimated that most of China's OFDI lending comes from the China Development Bank (64%) and China ExIm bank

(23%), neither of which have institutional mandates to lend to smaller firms in politically unimportant sectors but rather focus on natural resources and infrastructure.[35] Many private companies face regulatory and paperwork burdens to seek permission from the Ministry of Commerce for overseas investments, so they prefer "covert investments," expatriating capital without formal approval.[36] Because overseas investments are financed with hard-won capital, they are more likely to invest within their core competency and conduct due diligence on partners and host environments. As one SME firm engaged in manufacturing explained, their decision to invest in building a factory in Myanmar was based on a personal understanding of risk: "In Myanmar we have a local friend who can help us understand the situation. If we go to Vietnam or Indonesia and there are anti-Chinese problems, I can't ask my government for help, and I have to pull out and lose my investment. This money took me two decades to earn in China, and I can't throw it away."[37]

Because of their domestic vulnerability, the discipline and self-reliance imposed by domestic discrimination against the private sector, and their inability to rely on state political protection in foreign markets, competitive firms pursue overseas investment according to the same logics that international business scholars posit firms anywhere do: to pursue foreign market entry or to pursue efficiency by participating regional and global supply chains or acquiring foreign technology or managerial know-how.[38] Competitive capital has benefitted from greater opening, not because they are working in the state's interest but because they have taken advantage of encouragements to "go global" to pursue their own profits, something they have perceived as increasingly difficult domestically. Painting "Chinese capital" with a broad brush and focusing on the unique logic of Chinese state capital obscures these important actors in China and cannot account for the geographic distribution of OFDI toward developed markets in particular.

Crony Capital

The logic of crony capital is to pursue safety through internationalization, principally translating privileged—and, typically, corrupt—access to domestic resources into wealth by expatriating assets beyond the reach of the Chinese state. Crony capital is generated domestically through the use of informal political connections for resources from the state and protection for their endeavors.[39] Unlike competitive capital, crony capital accumulates as a result of closeness to political elites. Those political elites use the party-state's extensive control over the country's economy, especially credit, land, and the former assets of the command economy, to favor connected firms. Crony capital and tactical capital, especially when the later comes from state banks or state-owned firms, both benefit from privileged access to domestic credit, but they deploy capital globally with opposite intentions: tactical capital pursues the state's goals, while crony capital pursues refuge from the state.

I examine the activities of crony capital in two ways. First, I rely on interviews conducted with firms, accountants, lawyers, and regulators to narrate how crony firms form and implement their internationalization strategies. Second, I look at the overseas activities of one set of firms identified by Chinese regulators to be crony—the "Grey Rhinos," a term Xi used to indicate risks that could be existential should they begin moving quickly. Crony capitalists took advantage of China's "going out" policy to capitalize on domestic political advantages, borrowing heavily using informal political connections and financing investment abroad, primarily in developed countries where investments would be "safe" from the reach of Chinese authorities and in low-risk industries and assets. In short, the internationalization strategies of crony capital extend from their preference for safety in the face of political vulnerability.

Table 2 displays summary data on the outward M&A activities of four firms—HNA Group, Dalian Wanda, Fosun, and Anbang. These four firms collectively have over $50 billion USD worth of outward M&A over the period of 2001 through 2017, most of it, as the table shows, in developed countries and invested after the onset of Xi's anticorruption campaign in 2013. By contrast, Alibaba pursued just over 7 billion USD worth of M&A in the same time period. These four firms are associated with one another as "grey rhinos," a term that came to refer to large, diversified conglomerate firms with large debt burdens and extensive external expansion strategies. All four firms were named as "systemic risks" under investigation for the financing of their overseas deals in June 2017.[40] By February 2018, the CCP had nationalized Anbang and jailed its chairman, Wu Xiaohui, on charges of fraud. Fosun's chairman, the charismatic Guo Guangcheng, referred to by many as China's "Warren Buffet," was detained by police several times in the winter of 2015, reportedly to "assist," likely involuntarily, with Xi's anticorruption campaign.

Table 2: Overseas M&A activity of Four "Grey Rhino" Firms, 2001-2017

	HNA	Dalian Wanda	Fosun	Anbang
Number of deals (#)	60	19	37	12
Disclosed value (bns USD)	$16.08	$13.96	$11.18	$14.40
% Western Europe, Oceana, North America % Hong Kong %Tax Havens	68 27 7	89.5 10.5 0	86 0 5	83 0 0
Number of deals after 2013 (onset of anti-corruption campaign)	46	17	36	12
Top Industries	1. Air Transport (14) 2. Transportation Services (7) 3. Hotels and lodging (6) 4. Holding and Other investments (5) 5. Security and Commodity Trading (5)	1. Amusement and Recreation (8) 2. Motion Pictures (5) 3. Real Estate (2) 4. Engineering, Accounting, Research, Management Services (2)	1. Insurance (8) 2. Holding and other investment (7) 3. Mining / Oil & Gas (4) 4. Wholesale Trade (3) 5. Real Estate (3) 6. Apparel (3)	1. Insurance (5) 2. Hotels and lodging (3) 3. Holding and other investments (2)

Source: Company filings accessed via State Administration of Industry and Commerce; WIND database; FactSet database.

The activities and organization of crony capital—or at least some of its deployers—have been under greater scrutiny since the onset of Xi Jinping's anti-corruption campaign in 2013. Nearly every official investigated as a part of the campaign has been accused of either "using the convenience of the position to seek benefits and receiving bribes to help other individuals and companies," "engaging in profit-making business illegally," or "helping a family member with a profit-making business," or, not infrequently, all of these things.[41] Crony capital depends on connections with political elites to access profits, and the largest firms—like the ones listed above—grew to size by translating relationships with political elites into low-priced state assets, privileged access to land, and, critically, easy access to cheap capital.

The trajectories of the four firms listed above are instructive. HNA began as a state-backed regional airline in the island province of Hainan in the early 1990s. Methodical investments among a group of businessmen, headed by the brothers Wang Wei and Wang Jian, the former who has no official position in HNA and the latter chairman until his accidental death in France in 2018, facilitated the company's privatization.[42] This kind of "stealth privatization" is typical of crony capital, many of whom get their start by taking control of state assets, accessing preferential state loans, and then privatizing these assets without public notice but with informal political support. HNA's expansive growth owed much to state banks, who aided the company in accumulating more than $90 bn USD in debt by 2016, after which the company began unwinding its international positions under threat from the CCP. Anbang was not so fortunate. The company was founded as a regional insurance provider in the early 2000s with connections to two major political families, including that of Deng Xiaoping, the architect of China's economic reforms.[43] For years, Anbang funded its aggressive domestic and international expansion efforts—including the purchase of the Waldorf-Astoria hotel in New York and Strategic Hotels & Resorts—through selling investment products to Chinese savers. The products offered higher returns than low domestic bank deposit rates but questionable risk coverage, and Anbang regularly exceeded quotas and skirted regulations thanks to its high-level political connections.[44]

Fosun began as a technology investment firm in the early 1990s, but quickly expanded the scope of its investment activities and organizational scope, establishing over 600 direct subsidiary companies and over 750 related firms.[45] After the ambiguous detention of its chairman, Fosun began to deleverage and restrain high profile overseas investments, but its ownership of various foreign financial firms, including Meadowbrook Insurance in the U.S. (2014) and Fidelidade in Portugal (2014), as well as the Hong Kong registration of Fosun

International, Ltd (which was established in 2007), allowed the firm access to international markets and made it "too big to fail," or at least too big and too international to take down easily.[46]

These four companies are, of course, not the only sources of crony capital in China, but their humble beginnings, political connections, and rapid domestic and international expansions typify the pattern of the internationalization of vulnerable capital. Many Chinese firms took the official push to "go out" as license to borrow from the state financial system and turn privileged access to RMB into valuable foreign assets. The launch and intensification of the anti-corruption campaign ironically provided further impetus to seek safety through internationalization: firms with questionable political ties feared the downfall of their patrons, and so made haste to access state resources while their access routes remained open, hoping to establish sufficient international assets and name recognition to raise the political and financial costs of targeting them domestically. One prominent firm described its strategy as pursuing international targets that could be further borrowed against internationally (in non-RMB currencies), in part because the Chinese environment has "become dangerous."[47]

After several years of a permissive and encouraging policy toward outward investment, the CCP pivoted to respond with force to what is essentially the expatriation of (state) assets by private individuals, detaining high-profile figures associated with these firms, restricting their access to credit, and, at the extreme, nationalizing firm assets. These state policies have multiple logics: the CCP may be trying to curb kleptocratic practices, address high levels of corporate debt, and/or stem capital flight that has endangered the value of the RMB since 2014. As I discuss below, the CCP adopted capital controls on investment in specific sectors and domestic regulation to combat elements of the business class who used overseas investment to pursue their own safety and undermine the authority of the central state.

These conceptual categories are ideal types and, like all ideal types, are an imperfect rendering of reality that nonetheless allows researchers to better understand and explain complex social relationships. The conceptual categories are closest to Sartori's "medium level categories," meant to strike a balance between denotation and connotation by providing a description clear enough to identify in empirical data but not so restrictive that it applies to only a narrow set of firms or activities.[48] It is important to note that, as with SOEs above, firms can be sources of multiple kinds of capital at the same time. Although the "grey rhinos" are emblematic of crony capital, they can and do engage in competitive capital accumulation in international investments. The multiple logics of accumulation are reflected in the Chinese state's management of its outward investment regime as policy-makers seek to distinguish competitive and state capital from crony capital and craft policies that enable but direct the former and constrain the latter.

IV. Capital, Campaigns, and Control

Disaggregating Chinese capital by political status helps make sense of the Chinese state's approach to internationalization, which combines state mobilization pushing firms to internationalize (campaigns) with domestic regulation and particularistic capital controls.[49] Broadly, the CCP's management of China's outward economic expansion follows familiar patterns in Chinese politics, namely experimentation, pragmatism, and quick adaptation of policies based on feedback and learning. Campaigns, generally defined as transformative policies accompanied by revolutionary language and mobilization, constitute the technology of this policy-style.[50] Rather than providing predictable and consistent rules, campaigns are characterized by frequently changing goals and pervasive uncertainty, requiring affected political actors (including both state and non-state actors) to appear to align their interests with those of the state even as goals and interests are changing.[51] Because campaigns are standard features of China's political landscape, economic actors of all kinds have developed toolkits for navigating the cycles of campaigns and protecting themselves amid pervasive uncertainty.

Specifically with regard to OFDI, campaign-style exhortations to push outward investment, such as the BRI, Made in China 2025, and more, are followed with reconfigured policies and regulatory tweaks designed to address the activities of different capital groups. In the context of economic liberalization and global integration, Hsueh observed a "liberalization two-step," in which aggregate market liberalization was followed with sector specific reregulation.[52] China's approach to outward internationalization has been similar, combining general pushes to internationalize with reregulation and particularistic disciplinary measures targeted at different capital types. The CCP's policy toward internationalization has therefore been dynamic, learning and adjusting in real time to the activities of various types of domestic capital. My claim is not that all policy output related to internationalization, or even OFDI, is a function of the state's desire to differently manage different capital groups; other variables, such as the leadership's desire for legacy, monetary authorities' desire for currency stability, and the reactions of other countries also shape OFDI policy. But even these forces, meaning their magnitude, relative importance, and timing, are refracted through the actions of different capital groups, and therefore any complete explanation of China's internationalization policy must incorporate the relationships between the party-state and different capital constituents.

BRI

The BRI, a grand plan to export China's infrastructure know-how and enhance global connectivity, was declared in 2013 and has proceeded with great fanfare, including high-profile forum events featuring dozens of heads of state. The initiative, which emerged from a previous campaign to develop the western regions of China, has no official blueprint or plan but is instead meant as an umbrella initiative, providing direction and coherence to the activities of banks, firms, and government officials acting outside China's borders.[53] Although firms of any kind, including foreign ones, are said to be welcome within the BRI, the majority of benefits have gone to SOEs, whose core competencies most overlap with the initiative's priorities.[54] Local SOEs have benefited as much as central ones, as the BRI platform has given impetus for these firms to secure financing to invest abroad and provincial leaders are expected to take initiative in connectivity projects with their own neighboring countries in particular.[55]

Crony capital was enabled by the BRI, pursuing overseas deals in sectors such as energy and real estate in BRI countries by appearing to align themselves with the goals of the state and the promised benefits to host countries. For example, take CEFC, a privately-owned company headed by tycoon Ye Jianming that invested billions across Eastern Europe, Africa, and the Middle East. The company cultivated relationships with political and business elites abroad by implying it had deep ties with Chinese leaders and associating itself with China's promises to bring growth and connectivity to the world. The company's outright use of bribery attracted the ire of western officials, and its involvement in high level politics in countries like the Czech Republic contributed to backlash against China's influence. Ye was detained by Chinese authorities in March 2018 after one of his employees was arrested in New York on bribery charges. When CEFC and its chairman fell in 2017-2018, the company held more than $15 billion USD in debt and owned luxury properties from New York to Hong Kong.[56] Representatives of another firm, one that came under investigation in spring 2017 for amassing excess risk and suspicious financing of overseas expansion, explained their strategy was to "ride alongside the BRI," pursuing deals in especially European countries where bilateral diplomacy in the BRI context created a favorable environment for Chinese firms. This firm's investments were not in infrastructure, but rather in real estate and entertainment. One representative said that their executive team tried to plan their trips to coincide with BRI-related events to "benefit from the relationship" between China and BRI countries.[57]

The recalibration of the BRI shows the campaign-adjustment cycle as it pertains to different kinds of capital abroad. Tactical capital (investment and financing) was deployed to enhance the political prestige of the Chinese state and generate economic returns, and new tweaks to the campaign aim to more effectively pursue those goals without negative consequences, such as the politicization of ties to China or debt distress. The BRI small group at the NDRC focused the "recalibration" on efforts to discipline and control SOEs abroad, as evidenced in the 2019 decision to embed agents from the Central Commission on Discipline Inspection, the CCP's anti-corruption agency, in all overseas BRI projects. Importantly, the announcement stressed discipline for state and non-state firms. The director of the CCDI's international operations is quoted: "Part of the campaign is to go after corruption and stolen assets abroad." [58] The "recalibration" also entailed more centralized control over which companies could pursue which opportunities, and a new office—the "National Agency for International Development Cooperation" (国家国际发展合作署)—empowered to ensure that the overseas activities of firms do not conflict with China's strategic objectives.[59]

Made in China 2025

Made in China 2025, a large industrial policy emphasizing self-reliance and domestic innovation in high technology, has also pushed Chinese firms toward aggressive international investment. The campaign overall is focused on domestic investment in frontier technology, but a piece of the policy encouraged Chinese firms to pursue international M&A transactions to domesticate technology. For example, as early as 2013 during a study tour of major tech companies, Vice-Premier Ma Kai said the government would "encourage and guide" companies in domestic and overseas M&A, and a 2014 formal guideline document for semiconductors called on companies to "fully utilize global resources" in research and development of the sector.[60] In combination, these signals were read by companies of all sorts in high-tech sectors that global buying sprees had political and economic support.[61]

As with the BRI, these efforts were given political importance, but no central coordination mechanism. Tactical capital pursed global investments in the name of the state's strategic investments and also in pursuit of domestic prestige and political favor for themselves and their managers. One firm, Tsinghua Unigroup, made aggressive international moves, including an informal but very public offer for Micron, which is the sole U.S.-based maker of a specialized form of semiconductor and supplies the U.S. military. Tsinghua Unigroup's offer was never likely to be accepted, and in fact generated alarm such that the Committee on Foreign Investment in the United States (CFIUS) began to look at all Chinese tech investment with greater scrutiny, "muddying the waters" for all of its domestic competitors.[62] The company's chairman, Zhao Weiguo, allegedly a contact of Xi Jinping's, publicly hoped that the Micron deal would be the largest ever deal for a Chinese company.[63] The deal not only failed but triggered a congressional overhaul of CFIUS and heightened scrutiny of Chinese firms' activities in technology sectors worldwide.[64] Many speculate Zhao was forced to retire abruptly in 2018 because his overly ambitious use of state (and private) capital contributed to significant backlash against China's internationalization.[65]

Competitive firms, especially those with global technology investments, bristled at MiC2025, especially as it attracted the ire of developed countries and cast suspicion on all Chinese firms abroad. A representative from one such firm put it thusly: "Now every Chinese company is assumed to have state backing and some sort of national motive, but of course we have none of those things. We bid to invest in early-stage ventures, but no one wants to be bought by any Chinese company, even though we are headquartered outside of China. When the government pushes global acquisitions, it goes too far, and we are the ones who suffer. All of the private tech firms hate these policies."[66] Competitive capital attempted to distance itself from the state's industrial policy. Both state-owned and non-state firms endeavored to emphasize the competitive and commercial, rather than state strategic, logic of their investments to host countries—a pursuit that became increasingly difficult as state financial support became more widespread and China's technology ambitions generated political backlash.

Understanding the of politics Chinese outward investment by capital type, rather than by ownership, helps organize debates about China's global activities. Host countries, and developed democracies in particular, debate whether they can discern competitive from tactical capital and whether competitive capital can transform into tactical capital if circumstances change. As U.S. Senator John Cornyn (R-Texas), a co-sponsor of the 2018 bill to overhaul CFIUS, argued, "…there is no real difference between a Chinese state-owned enterprise and a 'private' Chinese firm, in terms of the national security risks that exist when a U.S. company partners with one."[67] But treating all Chinese capital like tactical capital risks blocking competitive capital, which many in the U.S. and elsewhere prefer to embrace. As the representatives of competitive capital in the U.S. argued, China's political technology of internationalization—the state-mobilized campaign—makes distinguishing all three kinds of capital more complex. Most firms portray their efforts, self-interested as they may be, as in step with the state's mobilizational goals, and state propaganda emphasizes precisely the themes—nationalism, self-reliance, rapid upgrading—that elicit concern in partner countries.

The heavy government emphasis on MiC2025 was tapered in 2018 in response to international backlash and amidst an escalating trade conflict with the United States, but the basic policy (a push for technological leadership and self-sufficiency) remains intact.[68] The international backlash certainly contributed to the reformulation of these policies, but it cannot be disentangled from the desire to manage different types of capital whose actions the state believes have contributed to that international backlash. Ultimately, the CCP wants to enhance China's global influence and competitiveness while limiting waste, containing risk, and ensuring that the right kinds of firms benefit from state policies. In the case of MiC2025, the state found its deployment of tactical capital hurt both the state's strategic goals and the commercial prospects of competitive capital.

Regulatory Adjustments

The party-state has strengthened its capital control regime and enhanced domestic regulation to allow more targeted polices to contain crony capital and discipline tactical capital in particular. After monetary authorities had spent the better part of a decade preventing currency appreciation, they found themselves fighting rapid depreciation beginning in 2015, the same year that China's outward investment exceeded its inward foreign direct investment. At the end of

2016, the State Administration of Foreign Exchange and the MofCom began implementing capital controls on outward direct investment to restrict "irrational investments," especially in property, entertainment, vice, and sports investments, which were exactly the sectors championed by crony firms and generally unrelated to the state's strategic goals and the efforts of SOEs and competitive firms.[69] Zhou Xiaochuan, PBoC governor until 2018, said in 2016: "Of course, as we have noticed, some people are pursuing emigration and investing in overseas real estate due to concerns with confidence, property protection and original sins; some businessmen are investing overseas through acquisitions, not due to comparative advantages or to expand into new markets, to but keep a way open for exit in the context of incomplete bankruptcy law in China."[70] Domestic regulation since 2016 has focused on limiting "systemic risk," principally meaning heavily indebted firms with significant overseas risks. In late 2017, the NDRC, which sees its own power grow with greater government influence, announced a new system to monitor Chinese firms abroad, to record and tally illegal activities as well as actions that "disrupt foreign economic cooperation, adversely impact the Belt and Road Initiative, or harm China's reputation."[71]

V. Conclusion

Chinese capital is politically differentiated by its relationship to the state and different logics of accumulation, specifically the pursuit of political power and prestige, commercial strength, or safety and refuge from the state. The regime, then, has formulated and reformulated its policy toward outward capital flows to adapt to the activities of these different capital groups, seeking to deploy tactical capital to advance its strategic goals, enable competitive capital to pursue growth, and constrain crony capital. The CCP's embrace of targeted capital controls on ODFI while maintaining large-scale political internationalization policies is a product of its desire to treat different capital differently.

As many have pointed out, China's rise presents a complex challenge to both IPE scholarship and, perhaps, the "global liberal order" itself, as it is a large, authoritarian regime with distinct socialist legacy and an unapologetic embrace of the role of the state in the economy.[72] Examining globalization from the perspective of different capital groups provides an important corrective to debates about China's internationalization that tend to simultaneously over-emphasize and under-theorize the role and power of the state.[73] Scholars have identified variation within the CCP's approach to global engagement, focusing on explaining that variation with regard to the state's strategic goals or the regime's weaknesses.[74] The focus on the resurgent and perhaps fractured party-state, however, has eclipsed the focus on Chinese society, elements of which continue to pursue their interests in the face of political recentralization and sharpened authoritarianism. The party-state's increasing power is focused on ensuring domestic stability and pursuing China's re-emergence as a global superpower, and these goals are related in complex and at times conflictual ways. Scholarship in international relations and IPE has focused on the "centrality," to borrow Weiss and Wallace's formulation, of domestic social stability and state strength, among other things, and how these issues structure China's approach to global economic actors, be they multilateral institutions, other countries, multinational corporations, or international financial institutions.[75] Less appreciated, however, is how domestic economic and political divisions within society affect the CCP's approach to those central issues and shape the regime's outward actions.

Beyond China, as the multilateral management of economic globalization confronts challenges and authoritarian modes of governance show few signs of abating in many parts of the world, the effects of business's domestic political status will continue to shape global capital flows. Two decades ago, the Asian Financial Crisis that began in Thailand triggered capital flows that weakened authoritarian regimes and new democracies alike. The crisis would prove fatal for Suharto's Indonesia, where politically vulnerable Indonesians of Chinese descent expatriated their assets rapidly in anticipation of Suharto's demise.[76] Authoritarian turns in countries like Turkey, Russia, and the capital rich Gulf states may also induce different internationalization strategies from varyingly vulnerable domestic groups.[77] These contemporary authoritarian regimes that are deeply engaged with the global economic system are likely described as "state capitalist," a designation that often overemphasizes the coordination and strength of the state vis-à-vis domestic capital.[78] However, as this research shows, even strong states with extensive control over economic resources struggle to discipline and constrain domestic capital constituents as they internationalize, and, in the case of China, these struggles have the potential to shape both domestic state-business relations and global economic relations alike.

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[14] Miryea Solis, *Banking on Multinationals* (Stanford: Stanford University Press, 2004).
[15] David Lake, "Open economy politics: A critcial review," *The Review of International Organizations*, 4 (2009), 227. OEP work has been criticized as imagining preferences as overly material and only "thinly social," that is, "not entirely internal to the unit but…not constituted by any larger normative or ideational environment" (p. 231).
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[31] Yi-Chong Xu, *Sinews of Power* (Oxford University Press: New York, NY, 2017), 297-8.
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[35] Kevin Gallagher and Amos Irwin, "Exporting National Champions," *China and World Economy*, 22 (2014), 1-21.
[36] Min Ye, "China Invests Overseas: Regulation and Representation," *Modern China Studies*, 21 (2014), 173-204.
[37] Interview, private firm manager, Shanghai, February 2017.
[38] Dunning, John H. *The multinational enterprise* (New York: Praeger, 1971).
[39] "Cronyism" or "crony capitalism" is a term with widespread use in Asian political economy and in China in particular. David Kang, *Crony Capitalism* (New York: Cambridge University Press, 2002); Dickson; Pei Minxin, *China's Crony Capitalism* (Cambridge; Harvard University Press, 2016); Yuen Yuen Ang, *China's Gilded Age* (New York: Cambridge University Press, 2020). Instead of using the term "crony" to describe a corrupt system, I disaggregate capital groups to demonstrate the unique logic of accumulation of crony capital.
[40] Hongyuran Wu, Guo Nan, and Leng Cheng, "China Asks Banks to Assess Credit Risks Linked to Firms Active in Overseas Deals," *Caixin Global* (June 22, 2017).
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[42] See David Barboza and Michael Forsythe, "Behind the Rise of China's HNA: The Chairman's Brother," *The New York Times* (March 27, 2018).
[43] The other family was that of Marshal Chen Yi, a long march generation PLA commander. Chen Yi's son, Chen Xiaolu, was a director of Anbang from early on, bringing the same protection and benefits to that company that he did to many others.

[44] One insurance regulator remarked that some companies, including Anbang, were beyond the purview of regulators because they were politically protected. This only changed in 2016-2017, when officials in Beijing began talking about systemic financial risks. Interview, Shanghai, May 2017.

[45] According to filings from the State Administration of Industry and Commerce (工商局), the three core holding companies, two of which are registered in the Mainland and one in Hong Kong, directly control a total of 625 companies and are minority investors in an additional 725. International databases, like FactSet and Capital IQ, which draw on filings and analyst reports, turn up between 250 and 300 affiliate firms for Fosun.

[46] This insight is based on extensive interviews with members of the business community in Shanghai, where Fosun is headquartered, and with regulators. These interviews were conducted in fall of 2016 and spring/summer 2017. See Appendix A.

[47] Note that this comment came in 2013, well before firms like this became under fire in 2016 and 2017. Interview, private firm executive, Shanghai, July 2013.

[48] Sartori, Giovanni, "Concept Misinformation in Comparative Politics,"*American Political Science Review*, 64:4 (1970), 1044.

[49] Although this paper focuses on internationalization since the Global Financial Crisis in 2008, the campaign-style of international predates this period. Min Ye calls the approach "state-mobilized globalization" and looks back to the 1990s for its manifestations.

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[51] For a concise statement of this, see Sebastian Heilman, *Red Swan* (Hong Kong: CUHK Press, 2018); see also Sebastian Heilmann and Elizabeth Perry, *Mao's Invisible Hand* (Cambridge, M.A.: Harvard University Press, 2011).

[52] Roselyn Hsueh, *China's Regulatory State* (Ithaca: Cornell University Press, 2011).

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[54] Xiaojun Li and Ka Zeng, "To Join or Not to Join? State Ownership, Commercial Interests, and China's Belt and Road Initiative," *Pacific Affairs*, 92 (2019), 5-26.

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[56] Barboza et al 2018; Alexandra Stevenson et al., "A Chinese Tycoon Sough Power and Influence. Washington Responded," *New York Times* (December 12, 2018).

[57] Interviews, Beijing, June 2017.

[58] Don Weinland, "China to Tackle Corruption in Belt and Road Projects," *Financial Times* (July 2019).

[59] Interview, former SOE executive, Boston. October 2019.

[60] China State Council, "Guideline for the Promotion of the Development of the National Integrated Circuit Industry," https://members.wto.org/CRNAttachments/2014/SCMQ2/law47.pdf,; http://www.gov.cn/ldhd/2013-09/12/content_2487501.htm.

[61] Rithmire and Li.

[62] Interview, Industry Lobbyist, Washington, D.C., December 2018. See also Eva Dou and Don Clark, "State-owned Chinese Chip Maker Tsinghua Unigroup Makes $23 Billion Bid for Micron," *Wall Street Journal* (July 14, 2015).

[63] Eva Dou and Don Clark, "State-owned Chinese Chip Maker Tsinghua Unigroup Makes $23 Billion Bid for Micron," *Wall Street Journal* (July 14, 2015).

[64] After the supposed Micron offer and subsequent political attention, European countries like Germany began scrutinizing the Chinese firms involved in technology investment. The following year, in 2016, for example, Germany "borrowed" the CFIUS authority of the U.S. as President Barack Obama denied a Chinese buyer's bid for a German company. For details, see Rithmire and Li.

[65] Sun Congying and Yang Ge, "Microchip Magnate Retires, Citing Heavy Workload," *Caixin* (April 11, 2018).

[66] Interview, private firm executive, Boston, May 2018.

[67] U.S. Senate Committee on Banking, Housing, and Urban Affairs, "CFIUS Reform: Examining the Essential Elements" (January 18, 2018), https://www.banking.senate.gov/hearings/cfius-reform-examining-the-essential-elements

[68] Bonnie Glaser, "Statement before the Senate Small Business and Entrepreneurship Committee. Made in China 2025 and the Future of American Industry" (February 27, 2019).

[69] State Council issues guideline on overseas investment (August 18, 2017). http://english.gov.cn/policies/latest_releases/2017/08/18/content_281475798846134.htm

[70] People's Bank of China, "Transcript of Governor Zhou Xiaochuan's Exclusive Interview with Caixin Weekly" (February 14, 2016). http://www.pbc.gov.cn/english/130721/3017134/index.html

[71] Zhang Lusha and Elias Glenn, "China to Set Up System to Monitor its Firms Overseas," *Reuters* (November 28, 2017).

[72] See Christopher McNally, "Sino-Capitalism." *World Politics*. 64:4 (2012), 741-776; Weiss and Wallace.

[73] On this, see Zhu Tianbo and Margaret Pearson, "Globalization and the Role of the State," *Review of International Political Economy*, 20-6 (2017), 1215-1243.

[74] Scott Kastner, Margaret Pearson, and Chad Rector, *China's Strategic Multilateralism* (New York: Cambridge University Press, 2019); David Shambaugh, *China Goes Global* (New York: Oxford University Press, 2013); Weiss and Wallace.

[75] Weiss and Wallace argue that issues are central to the Chinese regime when they are viewed as closely affecting its survival prospects. They cite nationalism, economic growth, and public safety as central issues. Foot argues that China prefers a triadic model of state strength, economic development, and social stability. Domestic stability and legitimacy also figure into Hsueh's concept of "strategic value logic" (2011, 32-39). Ultimately, whatever the precise formulation, the CCP is fixated on stability and prosperity. Rosemary Foot. *China, the UN, and Human Protection.* (New York: Oxford University Press, 2020).

[76] Pepinsky.

[77] Indeed, there is evidence that outward investment from Russia and Turkey is a function of political vulnerability. Markus finds an uptick in Russians pursuing investor visas in developed democracies, evidence that Russian business elites pursue safety through internationalization. Stanislav Markus, "The Atlas that Has Not Shrugged," *Daedalus*, 146-2 (Spring 2017), 101-112. Whereas Rayyip Erdogan's AKP cultivated business elites as allies during privatizations after that country's 2001 crisis, many business elites are investing abroad and emigrating following the political crackdown in 2016. Specifically, those associated with the Gulenist movement have pursued safety through divestment and internationalization. See Ziya Onis, "Power, Interests, and Coalitions," *Third World Quarterly*, 32:4 (2011), 707-724 on privatization coalitions, and Carlotta Gall, "Spurning Erdogan's Vision, Turks Leave in Droves, Draining Money and Talent," *New York Times* (January 2, 2019) on capital flight.

[78] Ian Bremmer, *The End of the Free Market* (New York: Penguin Portfolio, 2010); Joshua Kurlantzick, *State Capitalism* (New York: Oxford University Press, 2016).

Appendix A: Qualitative Data Collection

Interviews were conducted between 2016 and 2019 with representatives from 96 Chinese firms in China and at sites of global investment, including the United States, Southeast Asia, and South Asia. Firms were recruited informally, most frequently my own networks, and told that the study was on internationalization strategies of firms from Asia. The broader project included interviews with firms of various nationalities in other parts of Asia (Indonesia, Malaysia, and Singapore) and was approved by HUA IRB16-0858, but the paper refers only to Chinese firms.

To protect the identity of subjects, I do not cite firm names and or provide precise dates and locations of interviews. The below provides a general picture of the firms by ownership, sector, and geographic location.

Table 2: Interviews with Chinese Firm Respondents, 2016-2019

Firm Size	Headquarters Location	Investment Destinations*	Sectors Represented*	Firm Ownership
Small and medium (0-50 employees) : 2 Large (50-500 employees): 9 Very large (> 500 employees): 85	Guangdong (29) Shanghai (27) Beijing (9) Outside China (9) Central provinces (9) Western Provinces (8) Northeast Provinces (5)	**Southeast Asia** (Myanmar, Indonesia, Thailand, Malaysia, Singapore, Philippines, Vietnam, Cambodia) **Europe** (Germany, Netherlands, France, Portugal, Greece, Italy, Czech Republic, Hungary, Montenegro) **North America** (United States, Canada) **Africa** (Kenya, Ethiopia, Zambia) Latin America **Tax Havens** **East Asia** (Korea) **Middle East** (Algeria, Egypt) **Central Asia** (Kazakhstan)	Manufacturing Infrastructure Energy Mining & resource extraction Agriculture (research and development; dairy) Technology Real Estate Hospitality Finance Insurance Entertainment Logistics Shipping and Shipbuilding Power generation	Central SOEs (6) Other SOEs (4) Non-state owned (86)

*I do not list firm numbers for investment destination or sector because many firms have multiple investments in different countries and firms have business in many sectors.

A second set of interviews were conducted with Chinese regulatory officials between 2016 and 2019, under the same IRB protocol. I list below several regulatory agencies they represent. Almost all official interviewees (41) work at the central state level, and the others work at the provincial level in eastern or central provinces.

Ministry of Finance (8)
State Administration of Foreign Exchange (2)
China Securities Regulatory Commission (11)
China Insurance Regulatory Commission (5)
China Banking Regulatory Commission (8)
Ministry of Commerce (7)
National Development and Reform Commission (4)
People's Bank of China (3)

Appendix B: Alibaba Outward M&A, 2001-2017

Target Firm	**Target Country**	**Date**	**Deal**
Alohar Mobile, Inc. (mobile location services)	United States	12/16/13	100% for $30 million
Amblin Partners (production of film and digital content)	United States	10/9/16	Undisclosed: Alibaba joins board
A-RT Retail Holdings Ltd. (retail holding company, subsidiary runs supermarkets in China)	*Hong Kong*	*11/20/17*	*19.9% for $805 million*
Ascend Money (online payments)	Thailand	6/18/16	20%- undisclosed
Auctiva Corp. (online auctions)	United States	8/24/10	100% - undisclosed
China Civilink (operates web portals in China)	*Cayman Islands*	*9/28/09*	*85% for $63.75 million*
EyeVerify, Inc. (camera-based payment verification)	United States	9/13/16	100%, undisclosed ($100 million)
GoGo Tech Ltd. (ride share platform)	Hong Kong	8/28/17	100%, undisclosed
Hanbit Soft Inc. (online gaming)	South Korea	8/12/14	100%, undisclosed
HelloPay Group (mobile payments)	Singapore	4/19/17	100%, undisclosed
Kite Heavy Industries (mobile search)	United States	4/18/14	100%, undisclosed
Lazada South East Asia Pte Ltd. (online retail)	Singapore	4/12/16	21.7% for $323 million
Lazada South East Asia Pte Ltd. (online retail)	Singapore	6/28/17	32% for $1 billion
Meizu Telecom Equipment Co., Ltd. (smart phone manufacturer in China)	*Hong Kong*	*2/8/15*	*Undisclosed for $590 million*
One 97 Communications Ltd. (mobile content)	India	2/5/15	25%, undisclosed
Paytm Mobile Solutions Pvt Ltd. (mobile commerce)	India	6/30/15	15%, $600 million
Quantium Solutions International Pte Ltd. (mailing and packaging)	Singapore	7/8/15	34% for $62 million
SCMP Group Ltd. /Media Operations/ (news media)	Hong Kong	12/11/15	100% for $266 million
ShopRunner, Inc. (ecommerce shipping)	United States	8/16/13	30% for $75 million
SingleFeed (online data management)	United States	6/28/11	100%, undisclosed
Sun Art Retail Group Ltd. (Chinese supermarkets)	*Hong Kong*	*11/20/17*	*26.02% for $2.1 billion* *22.98% for $1.8 billion*
Trade Lead Investment Ltd. (advertising and cultural content in China)	*British Virgin Islands*	*1/6/12*	*95% for $114 million*
Wormhole Technology Pte Ltd. (tech investment)	Singapore	9/21/17	32.2% for $6 million

Italics indicate "round-tripped" FDI, or OFDI that was then redirected toward the Chinese domestic market.
Source: FactSet database, SDC database, EMIS database.