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How to bring more Chinese Outward Foreign Direct Investment to the Baltic States

Master's Thesis

Programme: International Business Management

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Tallinn 2018

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Abstract:

A lot of studies have been focusing to the foreign direct investment from developed countries to the developing countries. However, little is known regarding the investment from emerging countries, especially from China. Considering the fast increase of Chinese outward foreign direct investment (OFDI) to the developed countries in recent years, this paper examines the determinants of Chinese outward foreign direct investment to the Baltic States (Estonia, Latvia and Lithuania) by using qualitative research methods and quantitative research methods with the purpose of bringing more Chinese OFDI to the Baltic States. It assesses the stages of China's development and policies concerning foreign direct investments to the foreign countries in different period. Impact on economic development in relation of Chinese OFDI to the Baltic States also be examined and demonstrated. To illuminate those research questions, case study method is applied. I draw on an in-depth study of the biggest Chinese ride-sharing company, DiDi chuxing which invested Estonian taxi mobile application called Taxify and Post 11 which is a quite new start-up located in Tallinn is a joint venture of Chinese S.F express and Omniva. This paper findings also contribute to the policy makers regarding how to bring more FDI to the Baltic States on state-level and firm-level.

Keywords: Chinese Outward Foreign Direct Investment (OFDI), Baltic States, Determinates, China's development and Policies

Introduction:

Nowadays, Foreign Direct Investment (FDI) is a highly heated topic, which has been caught lots of attention and studied by different streams of researchers. With the purpose of tapping into overseas market, FDI could be an effective way to control the overseas business for companies (Wang,2017). Moreover, in particularly, in recent years, research interest of Outward Foreign Direct Investment (OFDI) has been rising rapidly (Knoerich,2017). As Hakansson (2013) stated that there are lots of scholars have been studying OFDI both from developed and developing countries. A notorious feature is that involvement towards globalization of developing economies has been increased with a high speed (Amal et al., 2009). Amal et al. (2009) also pointed that in the last decade between 1999 and 2009, OFDI from emerging countries is with higher average growth than OFDI from developed countries. Particularly, China is the most important global investment player in the world according to the data from the UNCTAD (2015) (See table 1), especially the largest amount of OFDI among those emerging countries. As Yao, Zhang, Wang and Luo (2017) stated “China’s OFDI has increased rapidly over the past decade and China was the second largest source country of OFDI in 2016”. Even though with such enormous expansion, the trend of China’s OFDI has involved limited data from studies as only scant amount of investment conducted in the early stages (Cheung and Qian,2009).

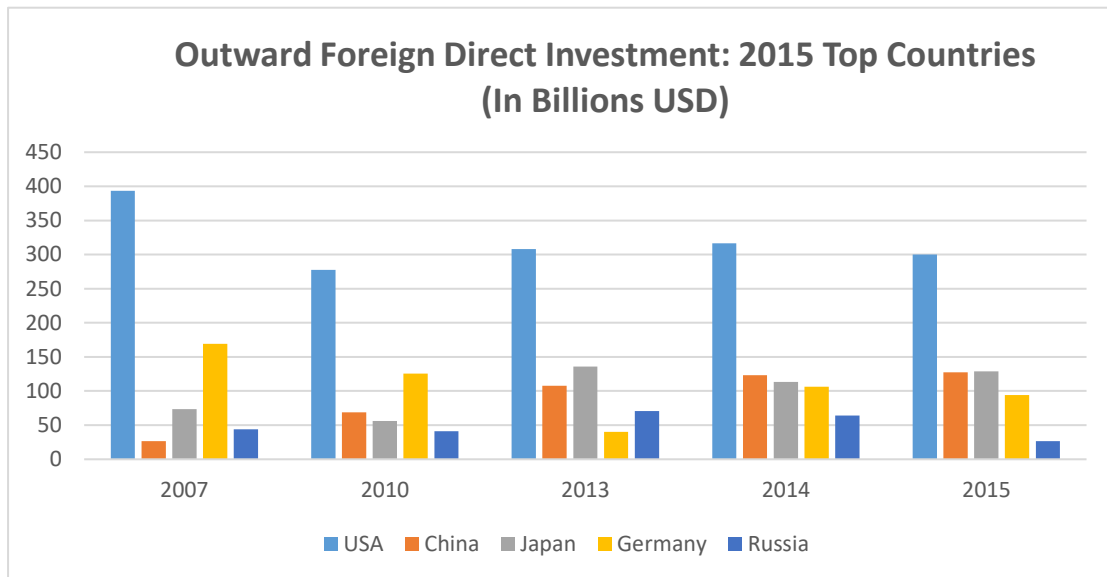
Table 1: Outward Foreign Direct Investment: Top Countries from 2007 to 2015(In Billions USD)

Country	2007	2010	2013	2014	2015
USA	393.52	277.78	307.93	316.55	299.97
China	26.51	68.81	107.84	123.12	127.56
Japan	73.54	56.26	135.75	113.59	128.65
Germany	169.32	125.45	40.36	106.25	94.31
Russia	43.85	41.12	70.68	64.20	26.56

Source: UNCTAD 2015 World Investment Report, China Ministry of Commerce.

Compiled by author

Figure 1: Outward Foreign Direct Investment:2015 Top Countries (In Billions USD)



Source: UNCTAD 2015 World Investment Report, China Ministry of Commerce.

Compiled by author

Table 1 shows that the numbers in top countries of outward foreign direct investment. China has become the second largest country in terms of OFDI within 8 years from 26.52 billion USD in the year of 2007 to 127.56 billion USD in 2015 which is approximately equal with Japan’s outward foreign direct investment.

In regards of inward direct investment in the Baltic States (Estonia, Latvia and Lithuania), as Kalotay (2017) indicated the Baltic States are been in a situation that is too dependent on FDI outflows and inflows for a time in terms of economic development and noted that due to the great economic recession in 2008, those three countries have not been recovered yet. Sluggishness of FDI recovery in these countries can be highlighted because of most of inflows of FDI in the Baltic states declined after the great financial crisis and long-drawn-out Eurozone crisis (Kalotay,2015). Therefore, it is necessary by increasing FDI inflows in to this region to benefit the economic growth as Kalotay (2017) pointed FDI plays a very significant role in terms of economic growth and FDI function in the economic development in the Baltic States is considered as an important economic indicator. Data about inflows FDI in the Baltic States over last decade from 2001 to 2016 can be seen in the Table 1.

Table2. FDI inflows of the Baltic States (Estonia, Latvia and Lithuania), 2001–2016 (millions of US\$)

Country	2001	2002	2003	2004	2005	2006	2007	2008
Estonia	539	289	928	957	2799	1334	2311	1830
Lithuania	446	725	180	774	1028	1817	2015	1965
Latvia	105	210	279	608	706	1664	2324	1264
Country	2009	2010	2011	2012	2013	2014	2015	2016
Estonia	1839	1509	1005	1565	546	507	208	541
Lithuania	41	800	1446	700	469	157	863	344
Latvia	94	379	1453	1109	903	595	643	123

Source: Kalotay (2017), Author’s calculation is based on UNCTAD and national data

From the data shown above in the table 2, it indicates that the FDI inflows kept increasing trend from 2001 to 2005 and Estonia is the country which received the highest Inward FDI in 2005 with 2799 million of US\$. However, after being in suffering the great recession in 2008, the inflows started to decline. Although there had a small recovery of inflows FDI in some specific years, the phenomena of sluggishness of inflows caused the economic stagnation of the Baltic States.

When it comes to the major investors to the Baltic countries, as Nikula and Kotilainen (2012) indicated that most of FDI flows come Sweden, Netherlands, Finland, Russia, and Norway and both assumed that with high level of FDI flows may benefit the fast-economic growth in these three Baltic countries. No matter from the academic way of illustrating the Chinese OFDI to the Baltic States or in the real business environment about inflows to the Baltic States from Chinese investors, there are quite few data available about Chinese FDI outflows to the Baltic countries. However, China has its new role in the Baltic States after the new concept called “16+1” cooperation platform proposed Chinese government in 2012. This initiative aims at intensifying more

cooperation with 16 countries in Central and Eastern Europe in terms of economic development which comes out the new foreign policy named “a community with a shared future for mankind” proposed by Xi Jinping, Chinese president. Therefore, with the light of this initiative, the relation of China and Baltic States is shaping gradually in terms of trade deficit and investment, moreover these three countries visibility have also increased in China. Hence, notably the author explores the difference in terms of cooperation with China and Baltic States before such “16+1” initiative implemented by Chinese government to illustrate explicitly whether the China’s foreign policy affects the FDI destination.

Therefore, it is plausibly to bring the research questions out. The aim of this research paper is to bring more China’s OFDI to the Baltic States to facilitate the economic development and provide regional strategic information and suggestions for the policy makers and firms-decision makers by examining the determinates for Chinese OFDI to the Baltic states, meanwhile addressing the China’s development stages and polices which affect the destination of Chinese OFDI and identifying the positive Economic Effects by checking the economic indicators in the Baltic States. On the other hand, this paper could fill the research gap and act as a basis to further attract Chinese investment in a way which in terms of FDI policies implementation by these three Baltic countries.

This research paper is structured as follows: First, an overview of what the thesis is all about, addressing the economic phenomenon of Chinese OFDI to other countries, Especially to the Baltic Countries. Second, literature review of background information about China’s development periods and foreign polices of FDI flow implemented by Chinese government are presented to make sure readers are able to follow the thesis and get something out of the thesis without any experience in relation of China’s development in different stages and foreign policies. Third, reviews the literature on the economic driven factors and motivations for the Chinese Multination Enterprises’ investment in the Baltic countries in those aspects: Natural resource seeking such as

obtain the raw materials; Market and asset seeking and high technology seeking. Fourth, the author reviews the literature about the economic effect in the host countries in terms of bringing OFDI to the host markets, the economic factors that impact the Baltic States whether could benefit in the Chinese foreign direct investment are also examined. Fifth, the section describes the research methodology by using qualitative methods via case study. Interviews conducted and documents applied to collect the data set in terms of determinates of Chinese OFDI in the Baltic States through an in-depth case study analysis DiDi Chuxing, the largest Chinese ride-sharing company is cooperating with the local company called Taxify to disseminate the sharing life style in the world by invested disclosed amount of capital; Another case is Post 11, a joint venture of Chinese S.F. Express and Omniva, which mediates the good more efficient between China and Europe. Finally, this section interprets the empirical findings through the case studies by combining the theory into a whole and summarizes the results and limitation of the research paper, in addition, suggestions to the future studies.

1. LITERATURE REVIEW:

Based on the analysis of the research topic, the aim of reviewing literature is to understand the current determinants of Chinese Outward Foreign Direct Investment to the destination countries. Meanwhile, the literature review explores the China's development and policies about OFDI by examining whether the policies implemented by Chinese State affect the direction of OFDI. At the same, it accesses the economic effect of Chinese OFDI on the local economy. Last, there are some arguments existed among scholars which separately are whether investments are majorly from Chinese private enterprises or State-owned enterprises; the determinants of Chinese OFDI to the Baltic States still confusing and unclear; moreover, studies on Economic effect of Chinese OFDI to the Baltic States are not clear. Therefore, the literature review is important and necessary to discover more arguments of the author's research topic.

1.1. China's development stages and policies of FDI Flows

FDI inflows and outflows have been the heated topic of common research in the last few decades. The development of China's OFDI has brought and attracted substantial attention from academic research and real business environment as Chinese Multinational Enterprises play a significant role and China is the most important global investment player (UNCTAD ,2015) among those emerging economies in terms of globalization and internationalization process (Chen & Fang, 2016). Some researchers also try to investigate the reasons why this phenomenon regards more and more Chinese OFDI emergence has been keeping and increasing in such stable rate. As Buckley et al. (2007) indicated that there have four stages of China's development which influence the progress of China's FDI Outflows and FDI Outward stock from 1979 to 2001 as it considerably depends the policies and strategies implemented by the Chinese government. Prior to 1979, Kaartemo (2007) demonstrated that due to Chinese government was in contrary of FDI outflows, therefore, as a result, very rare outward FDI from China. Starting from 1979, great changes come to China, they realized the importance of FDI and encouraged Chinese firms to go invest aboard.

From 1979 to 1985 also called first stage of China's development, "open-door" policy which also called "opening up" policy (Benderson, 2008) launched by Chinese State with the purpose of permitting state-owned enterprises undertaking the investment to abroad to improve the foreign investment efforts supported by government authorities. However, only export and import enterprises were allowed to go abroad by getting approved from Ministry of Foreign Economic Relations and Trade (MOFERT) (Tan 1999). Even though, scholar Guo (1984) mentioned that in the light of "open-door" policy, more than 100 joint ventures had been established. With the result of such policy implemented to facilitate both IFDI and OFDI, it justified as an effective means to ensure the supply domestic rare raw materials, meanwhile, the process of transfer of advanced technology to the home country was speeding up and penetration of foreign markets went smoothly under such beneficial policy. But, due to such permission was

full of limitation (BASAAR Project,2009) and shortage of foreign exchange and the lack of investment experience (Voss et al., 2010) in the beginning of China's OFDI, the number of foreign direct investments was still limited and small during the first stage of China's development.

Later, in the early 1990s, after Deng Xiaoping's South Tour in Shenzhen, Fujian, Guangdong, and these areas called special economic zones (SEZs) which was established in 1990s were opened to foreign investment (Fung; Iizaka & Tong 2004). Therefore, the second stage of development of Chinese OFDI was inspired and formulated by this special tour in the early 1990s. "An increased number of overseas projects were approved and the Ministry of Commerce (MOFCOM) was restructured to provide more comprehensive guidance and assistance on foreign trade and investment-related activities" (Yao et al. 2010, P3). Hence, as a positive result, Yang (2003) expressed that with such achievement of China's outward FDI, US\$ 4,400 million reached in 1993 from approximately US\$ 2,000 million in the latter of 1990s, the total of OFDI was more than 100 percent increase which is staggering. This profound stage of development was also called "go out" policy means the Chinese corporations should tap into more foreign markets by investing abroad with the purpose of opening the country. In order to speeding up the internationalization process of Chinese enterprises, a team has been formed up with 120 state-owned firms to achieve such target in various of support provided by Chinese government not only from financial terms to the special rights in management autonomy but also with top priority of protection (Wu ,2005).

The third stage of remarkable development was related the accession to the World Trade Organization (WTO) in 2001. Therefore, such researchers Yao, Zhang, Wang and Luo (2017) described that "go global" policy was released and published in that time to facilitate and stimulate the internationalization and globalization of the Chinese companies. After joining WTO, more industries were involved started to invest

overseas which substantiates the claim that Chinese FDI outflows have been enhanced significantly and more focus has been put to the FDI flows. Yet, China's state had not been that proactive in a way in terms of OFDI support, which resulted the amount of OFDI still quite rare (BASAAR Project,2009). In the meantime, the ways that the Chinese governments executed regarding support to Chinese FDI outflows have been changed which had a great influence on Chinese enterprises. As the focus shifted to the OFDI assistance from project approval at that time given by state. The real action about the OFDI assistance was introduced by the government which was state-owned enterprises were given to the right to get financial support from a series of financial subsidies to invest foreign markets (Xiao and Sun, 2005; Yao and Sutherland, 2009; Yao et al., 2010).

“One Belt and One Road” (OBOR) Initiative was launched by Chinese government in 2013, which more higher level compared to the “go global” policy and the involvement of OBOR countries including Russia, the Baltics, Central Asia, Southeast Asia and South Asia. They described that it is an effective way to increase Chinese OFDI (Liu, Tang, Chen &Poznanska, 2017). Meanwhile, scholar Richard W. Hu (2017) stated that the motivation behind such Initiative is because of the power rise of China, however with the economic slowing down in domestic and shortcomings of China's economic development. In terms of China's new role in the Baltic States, the initiative of “16+1” platform was proposed with the aim of intensifying more connections in economic and culture between China and those countries in Central and Eastern Europe. Most importantly, president Xi Jinping claimed completely new concept regarding the China's new foreign policy called “a community with a shared future for mankind” (Una, 2018) in the 19th of National Congress of the Communist Party in 2017. This new concept contributes the trade deficit and attraction of FDI and more cooperation in the fields of transport and technology to the Baltic States (Estonia, Latvia, Lithuania). And moreover, there is an argument about the investment situation implied that most of foreign invest still come from State-Owned enterprises (Buckley et all, 2007; Scott

2002; Warner, Hong, and Xiaojun, 2004).

1.2.Motivations of Chinese OFDI

A perspective about FDI behaviors addressed by Moon and Roehl (2001) that traditional FDI theory issue has been argued that it has bias to illustrate the behavior of emerging countries in terms of OFDI. Researcher Yin (2015) described the main argument of traditional FDI theory which shows the difference between the developed country companies to invest overseas with maximizing the profits by acquiring the ownership advantages and firms from emerging countries which do have such advantages when they execute FDI. Researches have been conducted by Li (2003) that the aim of FDI outflows from emerging markets is to explore the advantages in order to compete in the global market. As Hedlund and Ridderstrale (1997) addressed two words “exploitation” and “exploration” in global market expansion to illustrate difference between developed countries and emerging countries.

The main framework of determinants of FDI was talked by the pioneer Dunning (1977). Three specific advantages including Ownership, Location, and Internationalization could be obtained when multinational enterprises invest overseas market. Foreign direct investment motivation has been discussed by many scholars as well. Based on Dunning’s (1998;2000) OLI (Ownership, Location and Internationalization) paradigm, there are basically four types of motivations to invest abroad including foreign market penetration also called “market-seeking, natural resource seeking, efficiency seeking and strategic-asset-seeking” (Dunning,2000). Moreover, many studies shown that such these four motivations are common used in terms of identifying the determinants of China’s OFDI (Zhang & Daly,2011). Some studies have been conducted which described that determinants of China’s OFDI could be characterized into two levels: host and home country features (Child and Rodrigues, 2005; Rui and Yip, 2008). The home country on determinants of Chinese OFDI has been discussed in previous chapter as a supplementary part which indicates the China’s development and policies

regarding the OFDI. However, Yin (2015) pointed studies on the host country determinants of Chinese OFDI focus on locational advantages which brings the concentration of this research paper. A study has been conducted by Buckley et al. (2007) which focused on checking the determinants or driven factors of Chinese OFDI by applying data set from 1984 to 2001. Several economic indicators and political indicators in host country were examined such as exchange rate, tax rate, market size, economic growth, labor cost inflation and corruption, trade relationship, openness to OFDI, etc. Some researchers such as Sekkat and Veganzones-Varoudakis (2007) have categorized the determinants of Chinese OFDI into three dimensions which could be listed as “investment climate”, “trade and economic” factors, and exchange market “policies” or “regulations”.

There are also some other empirical studies in terms of determinants of Chinese OFDI (Liu, Tang, Chen &Poznanska, 2017). However, the empirical findings are full of controversial sights on the major determinants of Chinese OFDI. As mentioned in above, Buckley et al. (2007) focused on checking the determinants or driven factors of Chinese OFDI by applying data set with 49 countries from 1984 to 2001. The conclusion showed that only these two indicators market size and “geographic proximity” in the host country are significantly associated with Chinese OFDI. Also, the study indicated that Chinese OFDI is not significantly upon such determinants like exchange rates, natural resource seeking, patents, distance and total FDI percentage of GDP in the host country (Liu, Tang, Chen &Poznanska, 2017). Study was conducted by Cheung and Qian (2009) based on the fixed effect estimation addressed that natural resources play a significant role in attracting Chinese OFDI, rather than institutional quality by applying sample of 31 countries from 1991 to 2005. On the other hand, this study also stated that host country GDP significantly in determining Chinese FDI flows. Gravity model was applied by Chang (2014) showed that outflows FDI from Chinese corporations prioritize the high-tech industries to invest in the developed countries with the purpose of transferring knowledge to the home country by discovering and

illustrating the feature of sample of 138 countries from 2003 to 2009 and at the same time, it is also preferring to get natural resources from other markets. From the currency exchange point of view, the appreciation and depreciation of Chinese currency RMB had positively influence on Chinese OFDI (Lin & Duanmu, 2011; Hu & Tu, 2012; Jin & Zhang, 2013). Some studies from the company point of view were conducted by checking some specific driven factors which have positive effect on Chinese OFDI such as political risk and cultural distance in the host country (Quer, Claver & Rienda 2012).

1.3.Economic effect of Foreign Direct Investment to the Baltic States

A widespread perspective regarding Foreign Direct Investment is that positive economic effect generated for the host countries when it comes to OFDI. Many researchers are exploring the effect of Outward Foreign Direct Investment on Productivity. The theory of host countries of OFDI is well acknowledged that normally OFDI occurs, there are for sure some significant advantages existed in the multinational companies in the home country when compared to the companies in the host country (Caves 1996, Markusen 2002). Moreover, scholars Alfaro et al (2006) pointed out that the adoption of foreign high technology and product-related know-how could be accomplished by various ways such licensing agreements, employee training and based on imitation to innovate to have enhancement of competitive business environment and the creation of linkages between host and home countries. With such benefits obtained plus the direct capital financing that foreign firms provide, they stated that OFDI plays a significant role in terms of economic development in the host economy. However, scholars Blomstrom and Kokko (1998) addressed that the empirical evidence challenges the perspective of positive productivity of OFDI to the host country. From macro perspective, Carkovic and Levine (2002) indicated that the advantages of taking OFDI externalities depends the host country's capacity, some indicators listed as development of the financial market or the whole host country's nationals' education level. In terms of high technology transferring to the host country from home country when it comes to OFDI, only successfully converting to the high economic growth from

high technology when the host country has the capability to show they have qualified human resource capital (Lee, Borensztein & Gregorio 1998; Xu, 2000). Therefore, in general, scholars such Aitken and Harrison (1999) assumed that effects of spillovers depend on the host country's "absorptive capacity". Only scant studies regarding the spillovers of outward FDI to the Baltic States were conducted, scholars Cohen and Levinthal (1989) addressed that it is necessary to have the appropriate level of "absorptive capacity" for Estonia to benefit from the positive effect of spillovers.

1.4.Theoretical summary and Research Gaps

A large number of previously theories and empirical studies only focus on the specific State-owned corporations to discover the determinants of Chinese OFDI in the different host countries which indicate such conclusion still exists the bias and limitations because more and more Chinese private companies which play a very important role in terms of OFDI start to heavily invest overseas market. Moreover, earlier knowledge is not able to give an up-to-date idea to explain the new pattern of Chinese OFDI. For example, most of the studies conducted by using old data set within a time range from 1991-2009, which might not give the full details and explanation to the Chinese OFDI. Case in point, recent heated topic about China-US trade war, which brings author's thinking that such trade war would affect the Chinese investment flows to Europe. Moreover, the framework of the initiative China-CECC (Central and Eastern Europe)16+1format launched by People's Republic of China with the purpose of intensifying and expanding the cooperation with 11 EU Member States and 5 Balkan countries such as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia. In the light of this framework, China has prioritized cooperation in infrastructure, high technologies and green technologies (LIAA, 2016). Hence, the initiative brings the positive impact on Chinese OFDI to the Baltic States, yet the previously researchers only explored a few regarding such issue. Therefore, due to lack of attention have been put on Chinese OFDI to the Baltic states

and studies on determinants of Chinese OFDI to the Baltic states are incomplete. In this article, it seeks to examine whether the determinants of Chinese OFDI to the host countries discussed in previous literature and empirical studies are also applicable for the Baltic States. As the economic effect of OFDI to the Baltic States is not clear stated by scholars yet, the author also explores more relevant data to illustrate that Chinese OFDI has positive economic effect to the Baltic States through the in-depth case studies. Meanwhile, as best of author's knowledge, providing the suggestions in terms of how to attract more Chinese FDI outflows to the Baltic States through the findings at the end. To my best knowledge, I am examining the determinants and economic effects of Chinese OFDI to the Baltic States by applying in-depth case studies, semi-structured interviews and documents.

Through above literature review, the author has recognized the research gaps in studies of determinants of Chinese OFDI to the Baltic States. Therefore, this thesis aims to fill the research gaps (Table 3)

Table 3. The major research gaps identified from literature review

Limitations of Previous Studies	Research Gaps
Previous studies show that most of Chinese foreign invest still come from State-Owned enterprises. However, Investment from Chinese Private enterprises neglected	Identify the role of Chinese Private enterprises plays is significant in terms of Chinese OFDI in the Baltic states.
The determinants of Chinese OFDI to the Baltic States still confusing. No clear driven factors stressed in previous studies And Earlier knowledge is not able to give an up-to-date idea to explain the new pattern of Chinese OFDI	Clarify the motivations and determinants of Chinese OFDI to the Baltic States and Describe the new knowledge which can explain the new pattern of OFDI
Studies on Economic effect of Chinese	Collect more relevant data to clearly

<p>OFDI to the Baltic States are no clear, some theory shows there is no correlation for positive effect of OFDI on the economic growth. (Carkovic and Levine 2002).</p>	<p>illustrate the positive economic effect in the Baltic States in terms of attracting the Chinese OFDI.</p>
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Literature Sources: (Buckley et all, 2007; Scott 2002; Warner, Hong, and Xiaojun, 2004; Liu, Tang, Chen &Poznanska, 2017; Xiao and Sun, 2005; Yao and Sutherland, 2009; Yao et al., 2010; Lin & Duanmu, 2011; Hu & Tu, 2012; Jin & Zhang, 2013; Carkovic and Levine 2002)

Source: compiled by the author

This thesis focuses on filling the above research gaps mentioned in the table3 through the two original case studies. Therefore, in order to fill these research gaps, this thesis is applying qualitative research methods to identify the explicit determinants and motivations of Chinese OFDI to the Baltic States and positive effect on the regional economy.

In conclusion, based on the literature review, there are some sub-research questions which will be answered through the theoretical and empirical part of this dissertation.

- How China's development and policies influence the Chinese OFDI to the Baltic States?
- What are the determinants and motivations of Chinese OFDI to the Baltic States?
- How Chinese OFDI to the Baltic States influence the local economy?

Based on the literature review, the research could bring tremendously considerable and notable contributions in terms of the research gaps. However, because of insufficient studies and only scant attention has been paid to the Chinese OFDI to the Baltic States in terms of determinants and economic effects, hence this dissertation can fill such those research gaps by gathering primary data from the semi-structured interviews, in-depth studies and examining the Chinese Policies regarding the OFDI implemented,

determinants of Chinese OFDI, and economic effect on The Baltic States through two real cases.

2. METHODOLOGY

2.1. Research methods

The methodology selected to answer the research questions is by using qualitative method with the form of applying two real cases in the aim of identifying the determinants of Chinese OFDI to the Baltic States and bringing more Chinese Investments to this region. As Pointed by Doz (2011: 588), “qualitative research methods offer the opportunity to help move the field forward and assist in providing its own theoretical grounding”. Moreover, scholars like Dyer and Wilkins (1991: 617) demonstrated that “case studies are extremely powerful if it applied quite well [when] authors have described general phenomenon so well that others have little difficulty seeing the same phenomenon in their own experience and research. We turn to the classics because they are good stories, not because they are merely clear statements of a construct”.

In this research paper, the qualitative case study method is applied in terms of its function which can demonstrate the research questions quite clearly. However, as researchers Piekkari et al. (2009: 584) found out that sometimes the case studies were often thin in terms of the variety of data sources used per case”. But, in this thesis, two real case studies presented in the following which specifically related to my research questions and properly illustrate the literatures of the determinants of OFDI and the economic development literature. Regarding the data collection, scholars Birkinshaw et al., (2001) thought the theories which can contribute to the deep analysis of the data and data gathering. The case study by using multiple sources allows researchers to answer the questions with “how” or “why” open questions with combination and verification of previous developed theories. In addition, new empirical findings could be added and case in real-life context could be investigated in a complex phenomenon

(Welch et al. 2011). As a result, two cases which are Chinese DiDi invested Estonian ride-sharing company, Taxify and Post 11 which is the joint enterprise of the Chinese courier company S.F. Express and Omniva are examined to illustrate the research questions.

The thesis applied such process of collecting data and analyzing data qualitatively. By using qualitative case studies which gives contribution of identifying the determinants of OFDI to the Baltic States and impacting of local economic development in terms of FDI. Small part of study about economic effect, the data is analyzed quantitatively to illustrate the positive effect.

2.2.Case description:

Case1.

Post 11 – the joint enterprise of Omniva and the Chinese courier company S.F. Express was established in 2015, headquartered in Tallinn, Estonia. S.F. Express is the biggest Chinese delivery service company located in Shenzhen, China. Post 11, this great company begins with the increasing development of International Business Department of Estonian Post Group, represented and controlled under parent company Omniva. It is providing the delivery solutions in the trend of fast growing market of the cross-border E-commerce Logistics. The purpose of joint enterprise established with China's largest private-capital based courier company S.F. express is to facilitate parcels ordered from China to be delivered to Europe in a faster and more efficient way. As Kärmas (2015) said, the main business of Post 11 operating is dealing with the parcels ordered from Chinese e-stores to the different countries. Current the main target markets are from Russia, Central and Eastern Europe, Nordics. Post 11 as a joint-venture has range of capabilities to offer the high-quality standard logistics services by connecting both advantages in the E-commerce field. Till now, Omniva has been cooperating with Chinese S.F. Express for more than around 3 years. Through this joint-venture, as Kärmas (2015) mentioned Omniva also got strengthened in the E-

commerce sector and S.F. had a good accession to the European market by their distribution centers. Before the establishment of post 11, S.F Express offers the business service most in Asian countries such China, Japan, Singapore, Thailand and Malaysia, Plus USA. According to CEO of Post 11 Aru (2016), the number of freighters from China depends the season, normally there were three Chinese freighters in Tallinn Airport per week, but if in the single day, or in some special festival, the freighters will be landed almost every day. In a word, the joint-venture Post 11 shows that S.F. Express has successfully accessed European market and Omniva's position gets strengthened in Baltic and its international business gets boosted as well.

Case 2.

Taxify, is a ride-sharing company which is headquartered in Tallinn, Estonia in 2013. Taxify itself is a fast-growing ride-hailing company in Europe and Africa. It provides service which allows users to request a taxi by using Taxify app on the users' smartphone. In 2017, Chinese Didi Chuxing, which is the largest ride-sharing company in China with 400 million users using taxi-hailing service in China. According to the official website of DiDi, it has successfully invested and established the collaborations with several leading ride-sharing companies across the world in 2017, they are respectively Lyft, Grab, Ola, Uber, 99, Taxify and Careem.

Didi and Taxify agreed a strategic partnership in order to increase the market share as a rival with Uber (Techcrunch,2017). Taxify claims after established the cooperation with Didi Chuxing, the users geographic scale enlarged to now around 30 cities in 20 countries including in UK, Hungary, Baltic States, South Africa, Middle East and Central America mediating tens of millions of rides every year. According to CEO of Didi, Will Cheng Wei (2017), he pointed that "Taxify provides innovative, high-quality mobility services across many diverse markets in evolving the consumer demands and contributing to cross-regional smart transportation linkages among Asian, European and African markets".

2.3.Data Collection

As discussed in previous section, by applying the qualitative research methods in the study can present a more clear and exhaustive description of the sub-research questions which probably cannot be answered through the quantitative research (Zhang, 2013). The qualitative methods used in the studies can gather data from various sources and flexible channels. Moreover, such research methods provide the deep analysis of the gathered information. Scholars Bogdan and Taylor (1975) stated that by using qualitative methods can deliver a comprehensive and clear view based on the investigation, see (Table 3)

Qualitative methods and interviews

The empirical studies in this research paper that contains different groups which are based on the two local technology companies which have obtained the investment from China. During the process of collecting qualitative data, the main data in this thesis were collected from different sources including semi-structured interviews; delivery emails and secondary data from documents. The author thinks it is possible to maintain the data precisely and the findings more generalized if the data collected from different angles. Therefore, the author interviewed the diplomat from Chinese Embassy to get the main idea from politician perspective, meanwhile, emailed to the Chinese venture capitalists with the purpose of getting perspective from them. At the same time, the author sent the potential questions to the manager of Taxify and officer from Enterprise Estonia. All questions which were asked via interviews or emails are all about the determinants of OFDI to the Baltic States; how those determinants have been identified in the Baltic States; economic effect of OFDI on host countries development; suggestions in terms of attracting more OFDI to the local market.

However, due to the response rate is quite low from Chinese venture capitalists, to my best knowledge, reason could be listed as: venture capitalists do not have any interest

in investing into Baltic States; Chinese venture capitalists have interest, however, they just simply showed the negative attitude to reply the email, which is understandable when it comes to the Chinese business culture. There was only one respondent agreed to take the skype interview, and thankfully, a constructive interview with Economic and Commercial Counsellor from the embassy of the people’s Republic of China in the Republic of Estonia was conducted at Economic and Commercial Counsellor’s office in Tallinn and another efficient interview with officer from Estonia Enterprise were making this research findings more holistic.

Table 4. Data collection via interviews

Interviewees	Interview timing	Interview hours	Ways	Language
Economic and Commercial Counsellor from the embassy of the people’s Republic of China in the Republic of Estonia	March	Around 1h	Face-to-Face	Chinese
VC from China	April	30minutes	Skype	Chinese
One local Estonian	April	25minutes	Face-to-Face	English

Source: Compiled by the author (2018)

In order to obtain holistic view of the findings, case methods are used. With the purpose of getting rid of the risk of the misjudging by using one single case, the author used two cases study, which provide the way of analyzing the case comparisons and generalizing the research findings (Chiesa and Frattini 2007).

In this part of thesis, Taxify and Post 11, these two start-up companies located in Estonia are addressed in detail by illustrating the process of development in term of internationalization and exploring the reasons behind the Chinese foreign direct

investment to these two case firms. The data gathering from Taxify was from the email delivery, the author has visited the headquarters of Taxify located in Tallinn with one local Estonian friend, however, they rejected to take such interview with us, but they allowed us to send them questions by email. On the other hand, the author did not get any reply from relevant persons from Post 11, hence, this independent case was using secondary data and case-based information which has been implemented in this research paper to address the research problems like determinants of Chinese OFDI to the Baltic States. Whereas, the author got the chance to talk with an officer from Enterprise Estonia, with the purpose of getting a perspective from someone who is working in such environment where gets involvement of facilitating more business opportunities with foreign countries. As consequences, primary data on determinants of OFDI no matter from firm's side or governmental side, it has considerable value that the research findings in terms of reliability could be enhanced.

In general, the data collection process contained three interviews were conducted separately with different individuals plus one survey sent to the manager of Taxify and those people who may represent and play a significant role in terms of attracting and bringing more investments to the Baltic States. The original questions were asked to Economic and Commercial Counsellor from the embassy of the people's Republic of China in the Republic of Estonia and Chinese venture capitalist were Chinese and later translated into English for this paper by the author (see appendix). Talking with Taxify, original conversation was hosted by author's Estonian friend by speaking Estonian. However, they only agreed the author to send email by attaching questions, no interview accepted. Answers have been translated into English. Interview with one local Estonian was conducted by English directly (see appendix).

The reasons for conducting the interviews with these three completely different groups and one email delivered to Case company Taxify were that, they play the important role and determine the investment destination. For instance, the author could get the idea

from diplomat in relation of Chinese OFDI; second, was able to understand the thought of Chinese venture capitalist when they start to invest abroad; Third, was to obtain the point of view from the local who is working in a sector where exemplifying business opportunities with other foreign countries; Last was trying to get the thoughts from firms-level regarding the way of their thinking about the Chinese OFDI, risk or opportunity and their own attraction power of OFDI. Thus, through the holistic data collected from various groups, they may provide the ideas about the how to bring more investments from China.

The author developed the interview questions based on the literature review and sub-research questions. Most importantly, the author applied scholar's suggestion Daniels and Cannice (2004) about the interview rules. All interviews started with warm-up and open questions about the amount of Chinese foreign investment to Estonia and perspective of Chinese OFDI to the Baltic states, should bring more investment or not. And of course, the questions gradually become more and more detailed and constructed with purpose of digging more useful information and data such as the advantages of the local market, the effects on economic development on host countries. Interview with Economic and Commercial Counsellor from the embassy of the people's Republic of China in the Republic of Estonia focused more on the OFDI policies implemented by Chinese government and the role of Chinese foreign investment in this global market and the suggestions about how to increase more investment from China to Estonia (see appendix). This is only unique interview because of the data collected is from Chinese governmental perspective which is different with other interviews.

Generally, all interviews conducted were to explore and understand clearly of the research questions. Finally, due to there is no reply or and feedback from Post 11 and the author was trying to explore more financial data about the case company, the author examined some of relevant and important document such as official website of company and some official news about its process of development and site infopank.ee

and manuals and other tools for data triangulation in case some important data information have been missed.

In addition, as scholars Miller, Cardinal and Glick (1997) pointed that the documents examination not only can provide the supplementary data to the researchers when there is no other access to the official data, but also can help researchers eliminate the memory bias by comparing the data and information gathered from the interview statement with the data collected from the document. By triangulating the various sources of data collection, in-depth interview and documents and observation were combined. As Yin (2003) proposed the method of data analysis called “pattern-matching”, in this thesis, this method is used to compare with the theories and empirical studies of the cases. In order to apply this method smoothly, all interviews transcript has been transcribed and translated into English texts. Moreover, the way of coding used that focused on the key words and company documents, which contribute to the research questions.

However, the respondents from the local company Taxify and the one from local and the Chinese venture capitalist requested the anonymous interview, therefore the names of the interviewees have not been disclosed.

In the following parts, three empirical studies will be presented to illustrate the researching findings and also strengthen the data validity.

3. DISCUSSION OF THE RESULTS AND CONCLUSIONS

3.1. Summary of studies

By applying majorly qualitative methods and few part by using quantitative research methods, the data collection of this research in this dissertation is grouped from two different sources: In-depth, semi-structured interviews and documents analysis. The aim of this thesis is to identify the determinants of Chinese OFDI to the Baltic States

and the regional economic effect on host countries with the purpose of bringing more Chinese investment to the Baltic States to stimulate the economy growth.

In this part, the main empirical findings through the studies will be presented in the following section.

I. Chinese Private Enterprises in China outward direct investment play a significant role in the Baltic States: Evidence from secondary data

The part of study aims at exploring the whole features of Chinese foreign direct investment to the Baltic States. The findings shown that most of Chinese OFDI to the Baltic States are coming private enterprises, instead of state-owned enterprises. As Cases discussed above, from Chinese DIDI chuxing invested Taxify to Post 11 which is a joint venture established with Omniva and Chinese S.F Express, both Chinese firms in Estonia are private. The rise of Chinese Private Enterprises foreign direct investment is keeping in a growth rate and it plays a major role in Chinese OFDI recent years addressed by Economic and Commercial Counsellor from the embassy of the people's Republic of China in the Republic of Estonia.

In general, both companies in China are leading comprehensive service providers. When these companies are compared in terms of industry, DIDI chuxing is the biggest ride-sharing company in China, and S.F is one of the biggest intelligent logistic delivery providers in China. Regarding the number of employees, DiDi chuxing has around 4700 employees, and there are around 400,000 employees working in S.F express. Regarding the overseas market expansion, the reason of why they both invested here in Estonia is a strategic decision because they are lacking local knowledge. Moreover, as mentioned in previous section, these two companies were inspired by the initiative of "One belt, one road" promoted by Chinese government with the aim of establishing more connections between China and involvement of OBOR countries including Russia, the Baltics, Central Asia, Southeast Asia and South Asia. Both companies were given the

support from Chinese Embassy in Estonia. About such findings, which needs to take into consideration that the Chinese OFDI policies implemented by the government affects the direction of Chinese foreign direct investment and Chinese Private Enterprises act quite more active in the Baltic States compared to the State-owned enterprises.

In conclusion, this part of empirical study can contribute to the determinants of Chinese OFDI to the Baltic States even though there is no correlation between the Chinese policies about its OFDI and determinants of host countries, Yet, it demonstrated the polices implemented by Chinese government significantly influence the direction of Chinese OFDI. The findings also point that with a popular phenomenon of Chinese Private Enterprises are playing a major role in China's OFDI in the Baltic States and this discovery could fill the literature gap in the theory, in which most of foreign invest still come from State-Owned enterprises (Buckley et all, 2007; Scott 2002; Warner, Hong, and Xiaojun, 2004).

II. What are the motivations and determinants of Chinese OFDI to the Baltic States?

This part of study is focusing on the motivations for Chinese OFDI and determinants of Chinese OFDI to the Baltic States. There are commonly four motivations “market-seeking, natural resource seeking, efficiency seeking and strategic-asset-seeking” when it comes to invest to the foreign markets (Dunning,2000). In this study, by checking the motivations of Chinese MNCs invest to the Baltic States, “marketing seeking” and strategic-asset-seeking” are identified as a key. In terms of determinants of Chinese OFDI to the Baltic States, some major indicators were selected which are market size, technology, labor cost and corruption, openness to OFDI by applying qualitative methods to get such findings. The empirical discoveries show that the purpose of these two Chinese companies investing to Estonia not only because of exploitation of the prevailing advantages the local two companies have, but also to explore competitive

advantages to considerably stabilize their position in this competitive business world. In the following section, the author will list under the table 5.

Table 5: description of main empirical findings in this part from case studies

Company Name	Industry	Motivations	Determinants
Taxify, Invested by DiDi Chuxing	Ride-sharing Technology	Networks, market seeking, product-related know-how in other countries	Market size, geographic location, technology, labor cost, corruption and bureaucracy Openness, polices
Post 11, Joint venture with S.F	Delivery and logistics service	Networks, market seeking, product-related know-how in other countries	Market size, geographic location, labor cost, corruption and Openness, bureaucracy, policies

Source: compiled by the author

From the local perspective, the empirical findings demonstrate that Chinese Private enterprises explore the competitiveness from the Baltic States by establish the networks with local companies to stabilize their global competitive position. Obviously, it has difficulty to expand the foreign market without subsidiaries in the Baltic States, therefore it is necessary to be presence in the local in a way to invest to the local companies to exploit the know-how competitive advantage. By learning and discussing the motivations and determinants of Chinese OFDI to the Baltic States, the results now can be added into the new pattern of Chinese OFDI which could be as a supplementary for the current theories of motivations and factors of China’s Outbound Investment.

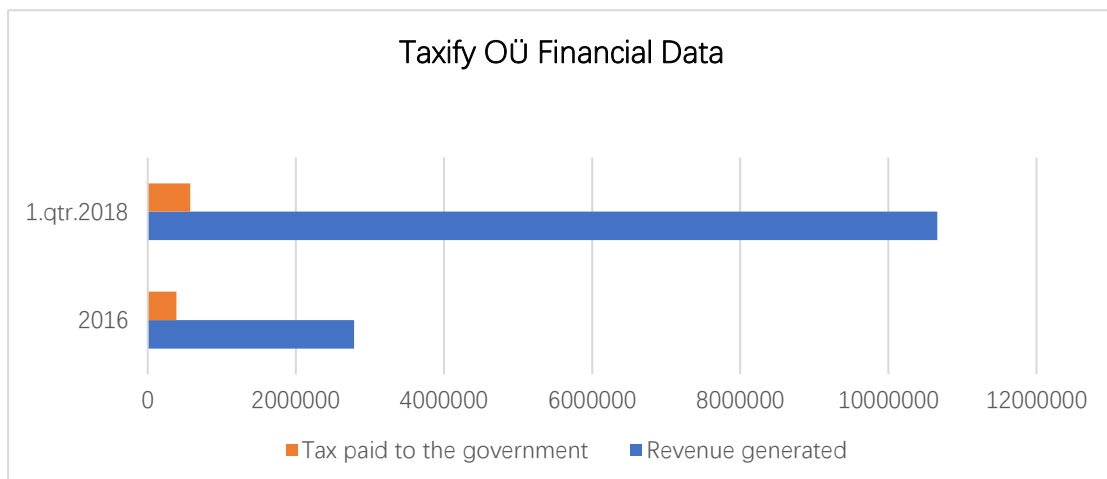
Since previous literature is not able to give an up-to-date idea to explain the new pattern of Chinese OFDI in the Baltic States, this part of findings contributes the modern theories of China’s OFDI. Earlier knowledge showed that almost of all Chinese companies are related to the trading business in the Baltic States (Kaartemo,2007). But now the trend of outflow investment from China to the Baltic States in terms of industry has been shifting from traditional trading business to now high-tech industry collaboration.

III. Economic effect of Chinese OFDI to the Baltic States

The last study also applied the quantitative research method to learn the economic effect of Chinese OFDI to the Baltic States. The key for this part study is to demonstrate that two case companies established the collaboration with Chinese MNCs have already contributed to the local economic growth. Some economic indicators (Table 6) will be listed in the following to illustrate the Chinese OFDI has a positive economic effect to the Baltic States:

Table 6: Economic indicators comparison after being involvement of Chinese Investment: Case 1 Taxify OÜ

Year	2016	1.qtr.2018
Revenue generated	2 785 322 euros	10 661 772 euros
Taxpaid to thegovernment	388 915 euros	572 500 euros
No. of Employees	40	174



Source: infopank.ee, compiled by the author

From the table 6, it is easily to conclude the company itself scale is growing dramatically from 40 number of employees in 2016 to now around 174 employees. Regarding the revenue generated, compare the year of 2016 with only around 2.8M euros to now till quarter 1, 2018 with 10.6M euros revenue generated after being involvement of investment from Chinese DIDI chuxing. With such numerical data addressed which the author can say it is totally staggering. In terms of tax paid to the government, as it shown that there were only 388K euros paid to the State in the whole year of 2016, However, during only in 1.qtr.2018, 572K euros has been paid to the government, almost one and half times higher than the whole year of 2016.

Case 2 Data about Joint Venture Post 11

Due to the data access limitation of post 11, the numerical data is not able to collect. But, some secondary data is available on (omniva.ee), official website of Omniva. It described that shipments from China got a rapid growth at least with around five times when compared to the year of 2015 with 2016. There are now around 35 employees who all work at Post 11 after the joint venture established with S.F express. Therefore, even though the specific data about the revenue and tax generated is not identified yet, such secondary data clearly reflects the Chinese OFDI has positive economic effect on the local economy growth such as contributing to the employment rate and GDP growth and so on so forth. Based on the cases discussed above, it can be easily concluded that maximizing benefits of Chinese OFDI for the Baltic States are significant, such as technology spillovers, support of human capital for both case companies. Moreover, such joint ventures established which could enhance the company's competitiveness in such business world. It is also contributing the trading business between China and the Baltic States. By gathering all above benefits, which are potentially facilitating the local economic growth.

In term of the economic scale in the whole Baltic States, with the light of initiative

“16+1” cooperation format, these three countries Latvia, Estonia and Lithuania have developed very close relations with China. Case in point, Meeting of China-CEEC Business council and Business Support Organizations has been hosted in Riga several times with the aim of growing cooperation between China and Central and Eastern Europe. Specially the trade relationship with China has grown significantly after being taking such initiative successfully. Some numbers are shown below see table 6.

Table 7: Total Export for the Baltic States to China (2012 and 2016)

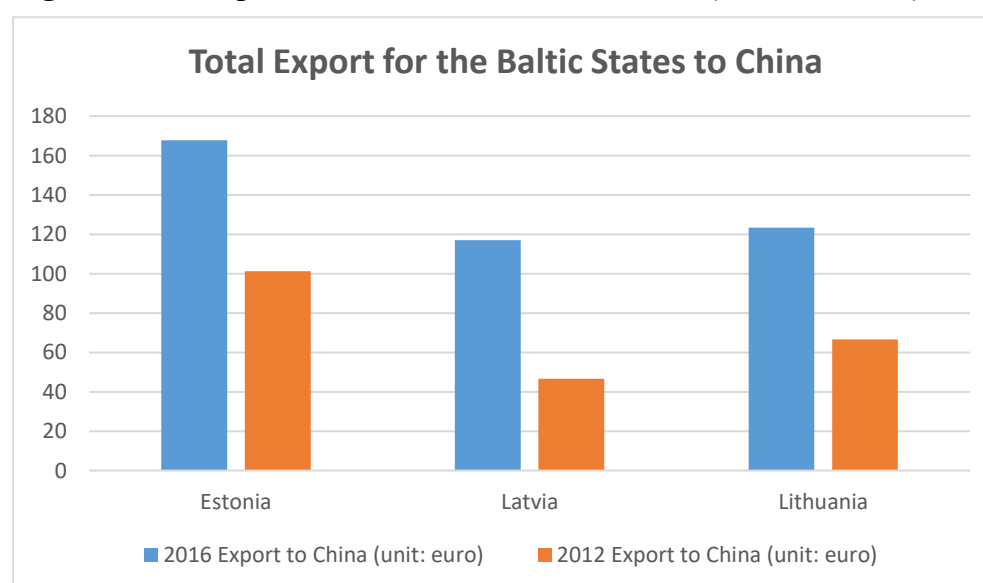
Country	Export to China (unit: euro)	Year
Estonia	167.7 Million euros	2016
Latvia	117.0 Million euros	2016
Lithuania	123.3 Million euros	2016

Source: Foreign Research Institute, compiled by the author (2018)

Country	Export to China (unit: euro)	Year
Estonia	101.2 Million euros	2012
Latvia	46.6 Million euros	2012
Lithuania	66.6 Million euros	2012

Source: Foreign Research Institute, compiled by the author (2018)

Figure: Total Export for the Baltic States to China (2012 and 2016)



Source: Foreign Research Institute, compiled by the author (2018)

From the table 7, it concludes that when it comes to exports to China compared to year

of 2012 and year of 2016, Estonia's export to China has reached 167.7 million euros in 2016 from 101.2 million euros in 2012, almost 40% amount of exports increased. Latvia has the largest percentage increase from only 46.6 million euros in 2012 to 117 million euros in 2016, almost 60% significant increase. Lithuania's export to China also got a staggering result, the amount increased from 66.6 million euros in 2012 to 123.3 million euros in 2016, which has doubled the exports to China. On the other hand, these three countries now have been increasing the visibilities in China, and the Baltic states attracted large number of Chinese tourists which also facilitates the economic growth.

Hence, this part of study could contribute and critically challenge the current theory of the effects of Foreign Direct Investments for host Country's economy which points out that there is no correlation for positive effect of OFDI on the economic growth (Carkovic and Levine 2002).

3.2. Conclusions

The aim of this dissertation is to explore the determinants of Chinese OFDI to the Baltic States with the purpose of attracting more Chinese investment to the Baltic States. The author used qualitative approach via case studies to shed the light on the local economic growth. The central research question was divided into three sub-research questions and the findings can be summarized based on the above studies (Table 8).

Table 8: Major conclusions of the paper

Sub-research Questions	Conclusions
How China's development and policies influence the Chinese OFDI to the Baltic States	The answer can be summarized based on the study 1, China's policies implemented by government regarding its OFDI have significantly influence to the direction of China's Outward Investment. Also, the Chinese Private Enterprises are the major players in the

	Baltic States in terms of OFDI.
What are the determinants and motivations of Chinese OFDI to the Baltic States?	The conclusion can be drawn from study II, the major determinants of Chinese OFDI to the Baltic States are Market size, technology, labor cost, corruption and Openness. The main motivations listed as Networks, market seeking, product-related know-how in other countries
How Chinese OFDI to the Baltic States influence the local economy?	The results can be learnt from last study, the Chinese OFDI has a positive impact in terms of the local economic growth, it can be analyzed from economic indicators such as employment, human capital support, enhancement of competitiveness, technology spillovers all of these benefits gathered could contribute the economic development.

Source: compiled by the author

From the table 8, the major conclusions can be drawn as below,

- 1) In terms of influence of Chinese OFDI policies implemented by government on the destination of OFDI, it plays a significant role when Chinese MNCs decide to invest abroad. As Buckley et al. (2007) indicated that there have four stages of China's development which influence the progress of China's FDI Outflows and FDI Outward stock, and different policies regarding FDI flows were also implemented in different development stages in order to reach different sectors need. Especially, the initiative of "one belt, one road" and 16+1 platform, which means the aim of this platform is to establish the cooperation with China and 16 Central and Eastern European (CEE) countries. Such platform established could contribute the connectivity, innovation and common development of among those countries (ceec-

china-latvia.org). The agreement about business and economic cooperation between China and CEE countries has been established in the three priority areas including infrastructure, high technologies and green technologies. From the empirical studies, we can conclude that the Chinese Private Enterprises are the major players in the Baltic States in terms of OFDI instead of State-owned enterprises. Both case companies invested by Chinese private enterprises are technology-oriented company which is quite matching the initiative of 16+1 platform in the cooperation of technology.

2) The determinants and motivation are identified through the empirical studies.

Major determinants of Chinese OFDI to the Baltic States are market size, technology, labor cost, corruption and Openness. The main motivations Chinese MNCs to invest to the Baltic States could be listed as networks, market seeking, product-related know-how in other countries, in this thesis, the author did not explore the motivation for investment from political perspective. In terms of market size, both two case companies are located in Estonia, which is a relatively small market size if only considered the domestic market. However, they have a similar situation in terms of the reason why received investment from Chinese OFDI. Both companies in Estonia are growing extremely faster and they all have very good product related know-how in other European countries and they are already successfully penetrated their service in other foreign markets. With such advantages, these two companies plausibly received the attention from Chinese MNCs, because it is completely tough for Chinese MNCs to expand foreign markets in Europe without know-how. Hence, Chinese investors would like to establish the cooperation with local companies is a reasonable action with aims of gaining access successfully to the European market. When take into consideration of technology as a determinant for Chinese OFDI to the Baltic States, large examples show that Chinese multinational companies expanded to their market share and increased their competitiveness through acquire foreign technology via different ways such as merger and acquisitions (Buckley, et al., 2007). But in this case studies, both

companies definitely have the advanced technology, which indicates that Chinese multinational companies prefer to establish the cooperation with a local, successful and high potential company, rather than start a brand-new company abroad because it takes time and suffers high risk without know-how. By the cooperation established with local company, it is reasonable to enhance the home company competitiveness efficiently in a comparatively short time.

- 3) This part of conclusion about the influence of Chinese OFDI to the Baltic states on economic level could be drawn as follows: the Chinese OFDI has a positive impact in terms of the local economic growth, it can be analyzed from economic indicators such as employment, human capital support, enhancement of the local company's competitiveness, technology spillovers all of these benefits and sources gathered and transferred could contribute and stimulate the economic growth of the host countries(Hill, 2000) and such theory also applies to the Baltic States which illustrates the local economic development. From the case companies, it is known that they both were invested by Chinese MNEs which the cash was involved, yet the amount of capital is kept undisclosed. Sometimes it is reasonable to keep it undisclosed since it is related to the confidential commercial. Therefore, as long as the capital gets involved from home country, which may resolve the financial issues for the host country's companies to develop themselves. In terms of technology, evidence shows that Estonia has the capability to absorb the high-tech knowledge and the nation itself sector is well developed in ICT sector; therefore, technology transferring is beneficial for the economic development and industrialization. On the other hand, OFDI also can bring the employment effect for the host countries Baltic States because from the empirical studies, it is known that such investment could bring creation of more jobs for local citizens. In regards of the enhancement of competitiveness of host country's companies, Chinese OFDI in Estonia has been showing a great positive result that these two case companies have been expanding the markets to almost other European markets and South African markets only within one year, which the speed of expansion is staggering. To conclude, the

Chinese OFDI has a positive impact in terms of the economic growth in the Baltic States when the economic benefits gathered.

To summarize, the aim of this thesis is to make a contribution in terms of identifying the determinants of Chinese OFDI to the Baltic States, in order to facilitate and stimulate the local economic development by bringing more foreign investments not only from China but also from some other countries. On the other hand, this thesis also contributes and fills the Chinese OFDI research gap, demonstrates the up-to-date idea to explain the new pattern of Chinese OFDI by describing the Chinese OFDI policies.

3.3. Limitations, Suggestions for Future Research and Implications

To my best knowledge, in this research paper, it exists some certain limitations about the conclusions even though the research findings contribute not only to the theories of OFDI but also shed the light on real business activities in terms of what kind of driven factors that Chinese MNEs consider for when it comes to OFDI. There are some certain arguments regarding the research limitations which could be listed as four aspects:

First, in relation of bias of the data collected because we only used two companies which are in the field of high technology and logistics. Moreover, these two companies are all located in Tallinn, Estonia and it may not represent the generalization to the Baltic States even though these three countries (Latvia, Lithuania and Estonia) have similar economic development. Therefore, the conclusion is not able to generalize the determinants of Chinese OFDI situation in the Baltic States. With the purpose of conducting more comprehensive studies, the author suggests that it is surely valuable and necessary to gather data from different countries and more companies from various industries shall be involved, data collected only from Estonia to make generation exists the bias. As a result, with more comprehensive studies conducted, it is possible to get a better understanding of determinants of Chinese OFDI and the economic impact on OFDI to the Baltic States. On the other hand, the initiative of this research paper is to

bring more Chinese Foreign Direct Investment to the Baltic States with the aim of fostering the local economic growth. When it comes to the economy development, then would be good and worthwhile to collect data about driven factors of OFDI from other home countries where like Brazil, Russia, India, United States and Japan etc. to the Baltic States to see whether all such foreign investment from other countries is beneficial for the local economies. Because by discovering more comprehensive and comparative data from other economies, the conclusion would be more generalized and valuable.

Second, due to the determinants of Chinese OFDI to the Baltic States are quite common based on the studies, which is similar with other elements from other investment destinations, therefore it would be good to take a deep study of companies itself advantages in the local markets. For example, the study can be conducted to check the attractive elements of the local company to obtain the investment from other countries. Moreover, it is worthwhile to explore what mutual benefits will come to for both parties if the cooperation established. Besides, since the data collected were all from high-tech and logistic firms, then would be useful to gather data from other industries such as traditional sectors to identify more specific determinants of OFDI to the Baltic States.

Third, this research paper puts more attention to discuss the research questions from perspective of Chinese MNEs. Therefore, this research may generate a partial conclusion due to scant discussion about Chinese policies about OFDI were studied. Because it is always modified by connected of China's development in different period. Hence, conducting more research from governmental perspective and company's point of view, the results should be more trustworthy and reliable.

Fourth, in terms of the methodology part, this paper only applied the qualitative methods by using case studies. Even though, the data for this study were collected from in-depth case-analysis and semi-structured interviews, however, the sub-research

questions were not firmly examined. In order to explore the determinants of Chinese OFDI to the Baltic States in each China's development stage period, applying quantitative methods at the same time are necessary to emphasize objective measurement and numerical data analysis. Therefore, by applying these two research methods in this study, questions like "how" and "why" are answered quite well and relationship between the OFDI and determinants in the host countries can be determined. In this case, more real and reliable cases shall be involved in the studies to illustrate the reasons behind of the OFDI and bring more foreign investments to the Baltic States to foster the economic growth.

Last but not least, it would be interesting to collect more qualitative data from Chinese investors perspective by conducting more interviews with them in order to figure out the more detailed reasons why those investors are willing to cooperate with local companies in the Baltic States. By applying the comparative studies and longitudinal analysis if more case companies added in the further study, it could provide more useful information to explain the market determinants changes for foreign direct investment.

As recent Chinese OFDI policies is mainly described that government support goes to these three main industries: high-tech and green technologies and infrastructure, therefore it is worth to conduct the future study of such firms in the Baltic States and exploring the more valuable data and generalized findings. Also, as discussed previously, the destination of foreign direct investment is strongly impact on government policies, hence, there should be full of opportunities to investigate such impact.

Implications:

This research paper aims at providing the suggestions to the government officers and company's decision makers in the Baltic States regarding how to attract more investments by identifying the determinants of OFDI to the Baltic States. Therefore,

this master thesis is tending to be more part of dissemination and policy recommendations for government. The result could be interesting for some specific business organizations and research projects which could help local government plan Foreign Direct Investment policies to further attract Chinese investments.

From the previous studies presented in this thesis, it is known that China's policies implemented by government regarding its OFDI have played a significant role in terms of the direction of China's Outward Investment. From the in-depth interview with Economic and Commercial Counsellor from the embassy of the people's Republic of China in the Republic of Estonia, based on his idea, especially Estonia has low level of bureaucracy and its good geographic location, Estonia could act as a hub for Chinese E-Commerce business. However, in order to promote the local companies for Chinese investors, more exhibitions and trade fairs shall be organized to make these three Baltic countries more visibility to China. On the other hand, more investment support actors should be set up to exemplify the business opportunities with Chinese companies in a way of establishing close contacts. To my best knowledge, so far only these two actors Development Agency of Latvia (LIAA), Enterprise Estonia (EAS) are helping foreign investors to find business opportunities and offering consultation service in the local market for local companies. Notably, more and more such investment support actors shall be established by government in foreign countries as well, for instance, the office could be set up in Shanghai, China to promote local business opportunities to the Chinese investors who may probably lack of market knowledge. Meanwhile, from the government perspective, Baltic States should promote themselves by visiting to China. Case in point, recently Estonian transport and communications companies in the field of E-commerce sector had meetings with Chinese partners and Chinese Ministry of Commerce to find more business opportunities and those economic cooperation signed agreements and meetings were organized and prepared by Enterprise Estonia and Estonian Ministry of Economic Affairs and Communications and the Estonian Embassy in Beijing. With the light of such proactive and constructive communication had

between these two great nations, an agreement on economic cooperation has been established in the field of E-commerce and logistics and Information and communication technology (ICT) sector (news.err.ee) to facilitate both nation's economic growth. The examples illustrate the mutual beneficial cooperation between the enterprises and governments in these two economies will foster the development and accomplish the win-win relations.

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APPENDIX

Interview questions used for data collection

I. Interview with Economic and Commercial Counsellor from Chinese Embassy in Tallinn
1. Do you think that “One Belt One Road” policy can bring more Chinese OFDI to Estonia and speed up the collocation between China and Estonia or the Baltic States?
2. Recently, with increasing more firms level cooperation between China and Estonia, especially there are two cases separately Taxify and Post 11, which are established the partnership with Chinese Companies, Didi Chuxing and S.F. Express, can you explain what is the logic behind of the investment?
3. What are the driven factors that influence Chinese OFDI to the Baltic States?
4. What kind of fields that Chinese companies have interest to invest?
5. Is there any actor which focus on increasing the visibility of Estonia in China?
6. As a diplomat, any suggestions that you can share to increase Chinese OFDI to the Baltic States?
II. Interview with Chinese venture capitalist
1. Do you know the business environment in the Baltic States?
2. What if you got a chance to invest in the Baltic States, which industry you would like to know more?
3. What do you usually consider when decide to invest abroad?
4. What are the motivations and determinants that driven you to invest to the Baltic States?
5. What kind of start-ups you would like to know more in the Baltic States?
6. As a VC in China, any tips or suggestions about increasing the Chinese OFDI to the Baltic States that you can share with me?

<p>III. Interview with one local Estonian</p>
<p>1. Do you think that Chinese OFDI will be beneficial to the Estonian Economy?</p>
<p>2. Do you think that Estonian government supports such investment from China?</p>
<p>3. What kind of perspective you have in terms of bringing Chinese OFDI to the Baltic States? Do you support it or not?</p>
<p>4. Have you ever heard of Taxify been invested by Chinese DiDi and Post 11?</p>
<p>5. What are the factors you think that might as attractive power for Chinese OFDI?</p>
<p>6. Any suggestions about how to increase the visibility of Estonia to China?</p>
<p>IV. Questions sent to Taxify Via Email</p>
<p>1. What could be the real motivation of Chinese DIDI invested Taxify?</p>
<p>2. What have you done after receiving the investment from Chinese DIDI. (expanding market, R&D, etc.)</p>
<p>3. How do you consider the Chinese DIDI investment (as a risk or opportunity)?</p>
<p>4. Could you please explain what are the mutual benefits for both parties?</p>