# The Chinese firms’ utilization of foreign acquisitions in peripheral industrialized regions for enhancing innovation capabilities

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**ABSTRACT**

Since the initiation of the ”Going Out” strategy in 2000, China has become the most important emerging economy foreign direct investor of the world. In 2012, China became the 3rd largest foreign investor in the world, and in 2014 the outgoing investments are for the first time expected to exceed the incoming FDI. The Chinese outward foreign direct investments (OFDIs) have been targeting both mature and developing economies in parallel in order to make use of different competitive and locational advantages. New forms of regional economic interconnectedness are being developed in different spatial contexts. The question of where in space innovation and value-added is generated has become a central part of the complexity of the economy where advanced manufacturing and services are intertwined. By using the case of Japan and the Baltic Sea region, the combined approach of internationalization theory, innovation management theory and location theory will create a better conceptual framework to understand the Chinese undertakings.

The increasing integration of Chinese industries into the world economy is recognized as being an important contributor to regional economic development. This paper aims to make an investigation of the role of the innovation capability-building dimensions of Chinese OFDIs in peripheral industrialized regions. Starting out our discussion from the experiences from Japan, which on the global FDI scene can be regarded as peripheral, the question is whether similar pattern can be observed in the Baltic Sea region. By expanding their regional production networks to include also European firms and production units, as well as utilizing them to create new innovative capabilities, the Chinese firms represent an investor group that can benefit from investments in regions usually side-stepped by MNCs from mature economies.

**Keywords.** Go Global policy, Mergers and Acquisitions, Location, Management geography, Financial status.