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From Beijing to Madrid: Profiles of Chinese investors in Spain[1]

De Pekín a Madrid: Perfiles de inversores chinos en España

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1. INTRODUCTION

Over the last few decades, China has become the "factory of the whole world". More recently, Chinese Outward Foreign Direct Investment (OFDI) has increased significantly, leading China to occupy the third place in the ranking of economies investing abroad (FDI flows) (UNCTAD, 2015). Chinese multinational enterprises (MNEs) are becoming global players and leading another phase of Chinese international integration. The presence of Yingli Solar in the advertisements of all the 2014 World Cup matches in Brazil symbolizes this recent phenomenon.

Chinese OFDI in Spain has also grown fast over the last decade, and this trend is expected to continue. Several important Chinese MNEs like Huawei, Lenovo and Yingli Solar are positioned in Spain. Additionally, some iconic Spanish firms like Telefónica, Campofrío or NH Hotels have Chinese capital in their ownership. Chinese investors are interested in some strategic sectors, like the transport or energy sectors. Some examples are the development and management of a new container terminal in the Port of Barcelona by Hutchinson Port Holdings or the recent acquisition of a wind farm from Gamesa by China Huadian Corporation. Furthermore, some Chinese acquisitions rescued firms that were going through financial problems. Examples of such opportunistic investments are the acquisition of Cubigel Compressors by Huayi Compressor and the purchase of the "Edificio

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EXECUTIVE SUMMARY

We study the profiles of Chinese investors in Spain. To this end, we rely on firm-level data and on primary data obtained through a questionnaire. We focus on projects in manufacturing, renewable energy and wholesale and retail trade. Chinese firms investing in manufacturing aim to acquire and develop new capabilities and to access not only the Spanish market but also other markets inside and outside the EU. Chinese investors in renewables are also export-oriented but, unlike firms in other sectors, they particularly appreciate the qualifications of Spanish workers. In wholesale, Chinese firms are more attracted by Spanish consumers: their main interests consist in acquiring new capabilities, making their brand known and supporting their exports to Spain. The present study might be useful for practitioners seeking to better understand the strategy, opportunities and risks of these new players in the Spanish market.

RESUMEN DEL ARTÍCULO

Estudiamos el perfil de los inversores chinos en España. Utilizamos datos a nivel empresa y datos primarios obtenidos mediante un cuestionario. Nos centramos en el sector de manufacturas, energía renovable y distribución. En el sector manufacturero, las empresas chinas buscan adquirir y desarrollar nuevas capacidades y acceder, no sólo al mercado español, pero también a mercados dentro y fuera de la UE. En energía renovable, también están orientados hacia la exportación pero, a diferencia de los demás, valoran especialmente la cualificación de la mano de obra española. Las empresas chinas dedicadas a la distribución están más atraídas por la demanda interna nacional: quieren adquirir nuevas capacidades, dar a conocer su marca y servir de apoyo a sus exportaciones a España. Este estudio puede ser de utilidad para aquellos que busquen entender la estrategia de estos nuevos inversores en el mercado español y los riesgos y las oportunidades que plantean.

España" by Dalian Wanda Group. Other firms, less well known in the Western hemisphere, have also chosen to invest in Spain (Daxiong and Boer Power, for instance). In short, Chinese firms are now present in a wide variety of sectors within Spain.

Although China is constantly increasing its OFDI position in Spain, studies related to this phenomenon are scarce. Goy & Navarro (2008) and Sáez (2010), using official statistics from the Spanish and Chinese governments, provide detailed descriptions on the evolution of Chinese OFDI in Spain. In addition, Sáez (2010) gives insight into the policies developed by the governments of Spain and Catalonia to attract Chinese investments. More recently, Quer Ramón et al. (2015) provide a detailed description of Chinese OFDI in Spain until 2014. In contrast with previous works, the authors not only rely on aggregate figures, but also illustrate the main characteristics of Chinese MNEs located in Spain. ESADE (2014) analyses the determinants of Chinese OFDI in Spain based on a questionnaire answered by 22 firms with Chinese participation located in Spain. Results indicate that Chinese firms are mainly market-seeking and also attracted by Spanish workers. The report highlights three main limitations that Chinese firms face in Spain: lack of brand awareness, understanding of the local market and clarity of legal framework. Similar results are reached by ESADE (2015), while underlining the importance Chinese firms give to Spain as a doorway to Europe and Latin America[3].

The aim of this study is to draw up a "portrait" of Chinese investors located in Spain.

The aim of this study is to draw up a "portrait" of Chinese investors located in Spain. In particular, we examine their motivations for investing in Spain in order to provide a better understanding of the risk and opportunities these projects may represent for business, employment, and trade relations. To this end, we rely on information gathered through a questionnaire answered by Chinese subsidiaries located in Spain. These primary data are completed by information about the main characteristics of subsidiaries: sectors, type of activity, number of employees, localization, export and import, entry mode and information concerning ownership. In contrast with ESADE (2014 and 2015), the present work distinguishes several profiles depending on the sector: manufacturing, renewable energy and wholesale and retail trade. In addition, this study accounts for a longer list of FDI motivations and details subsidiaries' activities and motives for accepting Chinese capital.

Overall, results show that Chinese firms investing in manufacturing aim at acquiring and developing new capabilities and accessing not only the Spanish market but also other markets inside and outside the EU. Respondents from the renewable energy sector are more service and export oriented and attracted by the high qualifications of the Spanish labour force. Firms from the wholesale and retail trade appear to be more oriented toward the domestic market: their main interests consist in acquiring new capabilities and in supporting their exports to Spain. In most M&A cases, investees tend to accept Chinese capital as a tool toward a diversification of export destinations. Respondents also indicate in many cases that these projects are undertaken in the framework of strategic alliances and the beginning of a common project. In half of the cases, respondents confirm the existence of opportunistic acquisitions.

KEY WORDS
China, Spain, Multinationals, FDI determinants.

PALABRAS CLAVE
China, España, Multinacionales, determinantes de IDE.

2. EMERGING INVESTORS: THEIR MOTIVES

When investing abroad, firms may choose to open a new subsidiary (Greenfield investment) or to acquire an existing firm completely or partially (Merges or Acquisition -M&A-). Motivations for FDI related with firms' strategies are usually classified into Market, Resource or Efficiency seeking (Dunning, 1993). Characteristics of the domestic and receptor countries may also influence these decisions. Motivations are therefore quite heterogeneous, making an eclectic approach essential.

Market seeking is related to an MNE's attempt to penetrate or to improve its position in a foreign market. Hymer (1976) states that firms may also decide to invest abroad instead of exporting if they have a non-transferable competitive advantage that needs to be exploited directly. This advantage may rely on managerial capabilities, provision of services requiring proximity to customers, or a specific way to commercialize the product. However, this theory does not appear to fully apply to Emerging countries' Multinational Enterprises (EMNEs): they are new players in the market and their competitive advantages are not usually related with their own capabilities but with their home-country characteristics (Buckley et al., 2007). For instance, access to cheap labour force, or ease of financing their project in the case of State-owned enterprises (SOEs), may constitute competitive advantages for all Chinese firms and by themselves do not justify MNEs' investments abroad.

Market seeking also arises from the trade-off faced by firms between exporting with the associated transport and trade costs and investing abroad with important fixed costs (Horstmann & Markusen, 1987). Trade restrictions may be a relevant motivation for EMNE. Additionally, firms may invest abroad to support exports from their home country to the host country, or to create an export platform in order to access third countries by using existing networks (Ekholm et al., 2007).

FDI may also be resource-seeking if firms intend to access natural resources that are not available, or are considerably more expensive, in their home market. Such an argument is not likely to be relevant in the case of Chinese FDI flowing to Spain since Spain is not a country abundant in natural resources. In contrast, firms investing in countries abundant in capital may seek capabilities like new technologies (Amighini et al., 2013). However, asset seeking has different meanings for MNEs from developed countries compared to those coming from emerging countries. The former aim to extend their assets in order to preserve their competitive advantage while the latter try to acquire new capabilities abroad to overcome their existing disadvantages (Amal et al., 2013). Amighini et al. (2013), Buckley et al. (2007), Child & Rodrigues (2005) and Luo & Tung (2007) present evidence that EMNEs aim to improve the quality of their products, accessing technology, qualified labour, management techniques, enhancing brand recognition and acquiring a recognized brand.

In relation to efficiency seeking, investments are performed in order to reduce firms' costs. Typically, this applies to FDI realized by MNE from developed countries in low-labour-cost countries but not usually considered as relevant to explaining OFDI from emerging countries whose labour costs are below the world average (Buckley et al., 2007). Nevertheless, Lemoine (2013) shows that wages have been increasing rapidly in China, even above productivity levels and for both low and highly qualified workers. At the same time, in Spain wages were decreasing while productivity was increasing, on average.

Besides these micro determinants, firms are also pushed and pulled to invest abroad by political or socio-economic factors. For firms from emerging countries like China, government policy at home may play a relevant role in fostering investments abroad (Gallagher & Irwin, 2014). Luo & Tung (2007) argue that institutional restrictions affecting economic activity may also push firms to invest abroad while

UNCTAD (2006) stresses that the rapid surge in competition in the home market may also motivate OFDI. Factors such as quality of institutions, political stability, legal framework or easiness of opening a business may attract investments (Bayraktar, 2013; Dunning, 1993).

Concerning M&As, firms' networks, previous commercial and investment links, as well as strategic alliances increase the probability of project success (Johanson & Vahlne, 1977). Additionally, investees may be interested in receiving FDI to improve their integration in international markets or to improve inputs access (Harrison, 1995). Finally, Krugman (2000) underlines that many MNEs bought Asian companies at fire-sale prices after the 1997 Asian financial crisis. Some M&As could be considered as opportunistic FDI when they are driven by the decrease of asset prices and/or financial restrictions faced by the investee prior to the investment.

3. IDENTIFYING CHINESE INVESTORS' MOTIVES

By combining several sources (SABI[4], the ESADE (2014) report, the Ministry of Foreign Commerce of China, Global Asia website and news), we first identified 96 Chinese investments projects realised in Spain up until 2014. The study focuses on 66 projects in the sectors in which most Chinese firms have invested: wholesale and retail trade, manufacturing, and renewable energy. Second, firms were contacted by telephone by a specialized survey company[5] and 22 responses were obtained.

We asked the companies to value the importance of a wide range of investment motivations. Participants are Directors and Managers from different departments, principally from Accounting and Financial departments. This information has been complemented with data from SABI. In line with the theoretical framework, we pay particular attention to the following aspects:

- Asset seeking.
- Efficiency seeking.
- Trade.
- Institutional and economic aspects in China and Spain.
- Motives for accepting Chinese investment.
- Opportunistic investment.

All the items firms had to value are displayed in **Table 1**: motivations are grouped according to the above typology. Firms were also asked

Table 1. **Questionnaire items**

ASSET SEEKING	Acquire a recognized brand, acquire management techniques; make the company's brand known in Spain/Europe; to access qualified workforce; to access new technologies; to adapt to the quality norms of the European market; to adapt to the quality norms of the Spanish market; to increase the quality of the firm's products.
EFFICIENCY SEEKING	Increased wage costs in China; Low wage costs and high qualification in Spain; Low wage costs in Spain; Lower taxes than other alternative countries where the same investment could had been realized; Produce goods/services in a more efficient way.
TRADE	Reduce export costs; To avoid anti-dumping measures from the European Union; To avoid tariff barriers set by the European Union
INSTITUTIONAL AND ECONOMIC ASPECTS IN CHINA (PUSH FACTORS)	Competition from other companies in the home country; Fiscal incentives from the origin country; Institutional restrictions on parent firm's activity in the home country; Reduce the risk associated with the economic activity of the Company.
INSTITUTIONAL AND ECONOMIC ASPECTS IN CHINA (PULL FACTORS)	Easiness to access to finance; Easiness to open a Company; Economic situation in Spain; Investor protection; Legal framework; Legal framework of the labour market; Political stability; Private property protection; Quality of infrastructures in Spain; Spanish fiscal incentives for foreign investment; Transport infrastructure to access other markets.
OPPORTUNISTIC INVESTMENT	Financial restrictions; The investment represented an opportunity due to the low price of the acquired assets; Economic problems; Increase in capital.
ACTIVITY	Produce goods; Produce services; Export; Import; Marketing; Costumer service; Merchandising; Research & Development (R&D); Product design.

to value how their activities match with the indicated ones (Production, Export, etc.). The main characteristics, motivations and activities of the 66 respondents are summarized in **Table 2**. For each group of motivations, we provide the average values of responses obtained across items and respondents where responses range from 0 (not important) to 4 (very important). We also indicate how respondents value specific questions on average and we highlight items highly valued. For instance, firms investing in manufacturing valued, on average, Asset-seeking questions with 2.7/4. Within asset-seeking motivations, "To acquire a recognised brand" receives the highest value among the respondents of this sector.

4. MANUFACTURING: CHINESE FACTORIES IN SPAIN

According to our database, 17 investments from China have been realized in the Spanish manufacturing sector, accounting for 5,464 employees. Half of them took place in 2011 and 2012; 13 were M&A and 10 came from private Chinese firms. Most are wholly owned subsidiaries while Chinese participation ranges from 20% to 49%

Table 2. **Firms' main characteristics**

	MANUFACTURING	RENEWABLE ENERGY	WHOLESALE & RETAIL TRADE
Main characteristics (Number of firms)			
Total investments (surveyed)	17 (7)	10 (3)	39 (12)
Location	Madrid (5), Cataluña (3), Galicia (3), Andalucía (2), Castilla and León (2), Asturias (1) & Castilla- La Mancha (1)	Madrid (4) Cataluña (3) Andalucía (1) Castilla-La Mancha (1)	Cataluña (18), Madrid (16), Andalucía (1), Aragón (1), Canarias (1), Castilla-La Mancha (1) & Comunidad Valenciana (1)
Total jobs	5,464	77	2,331
Size	Small (6), Medium (7) & Large (4)	Small (8)	Small (28), Medium (3) & Large (3)
Greenfield investment/ M&A	4/13	8/2	21/12
Private/SOEs/Mix	10/5/1	7/1/1	18/10/4
Main characteristics (share of all respondents)			
Percentage of wholly owned subsidiaries	64.7%	80%	78.8%
Percentage of exporters	82.3%	71%	64.9%
Percentage of importers	76.5%	57%	86.8%
Main Motivations (Average of responses' values)			
Asset seeking	2.8	2.3	2.9
Main motivation	Acquire a recognized brand (3.6)	To access qualified workforce (3.7)	Acquire a recognized brand (3.4)
Efficiency seeking	1.5	1.93	2
Main motivation	Produce goods/services in a more efficient way (2.3)	Low wage costs and high qualification in Spain (3)	Produce goods/services in a more efficient way (3.2)
Trade	1.5	1.9	1.9
Main motivation	Reduce export costs (1.6)	To avoid tariff barriers set by the European Union (2.3)	Reduce export costs (2.2)
Export to countries outside the EU	Yes (2.7)	Yes (4)	No (1.9)
Produce products in Spain to export them to China	1.57	0	1.1
Institutional & Economic aspects in China	1.5	2.4	2
Main push factor	Competition from other companies in the home country (2)	Reduce the risk associated with the economic activity of the company (3.7)	Competition from other companies in the home country (2.7)

Institutional & Economic aspects in Spain	1.5	2.3	1.6
Main pull factor	Legal framework & Private property protection (2.3)	Economic situation in Spain (3.3)	Quality of infrastructures in Spain (2)
Evidence of opportunistic M&A	Yes	No	Yes
Activities (Average of responses' values)			
Three most valued activities	Export (4), Produce goods (3.7) & Marketing (3.4)	Produce services (4), Export (4) & Merchandising (2.7)	Merchandising (3), Costumer service (2.5), Marketing & Produce services (2.3)
Three least valued activities	Costumer service (2.4), Import (2) & Produce services (0.9)	Product design (0.7), Marketing (0.7) & Produce goods (0)	Product design (1.6), Produce goods (1.5) & Export (1.4)
R&D	2.7	2.3	1.8
Product design	3	0.7	1.6

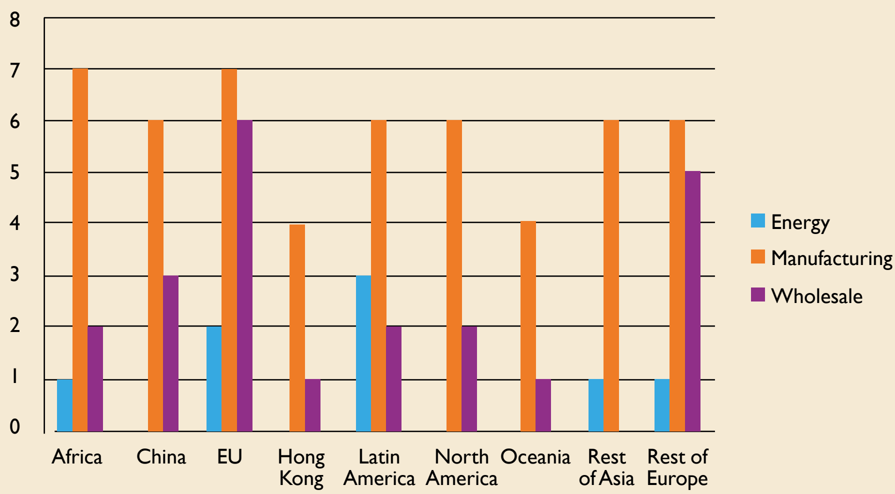
when ownership is shared. In terms of workers, 23.5% are large firms, and 35.3% are small sized firms. They develop a wide range of products like distilling, food, chemicals, metals, pharmaceutical products or generators.

We obtained responses from 7 of the 17 investments. For all of the respondents' firms, exports represent a high share of their sales. Accordingly, they value highly the possibility to access markets outside the EU and two of them consider it important to avoid trade barriers set by the EU. Their main export markets are within the EU, as illustrated in **Graph 1**. For all firms except one, the main motivations for investing in Spain come from asset-seeking considerations. In particular, they aim to acquire a recognized brand and adapt their products' quality to EU standards. Additionally, all firms give a medium or high importance to R&D and all firms, except one, give a similar value to Products design. The majority make considerable efforts to develop a closer relationship with their customers, as most give a high grade to marketing, merchandising and customer services.

Only four firms are concerned by efficiency-seeking considerations, while low wages and high qualification of labour in Spain appear attractive to several respondents.

High competition faced at home pushes several Chinese firms to invest abroad. In turn, the Spanish market characteristics that appear more attractive are private property protection and legal framework, whereas the fiscal incentives for FDI have the lowest attraction.

Graph 1. **Export destinations level**



The investee motivations for accepting such an investment are related with strategic alliances, diversification of export markets and starting a common project. We identify three potential cases of opportunistic investments.

5. ENERGY: GREEN INVESTMENTS

In the renewable energy sector, we identify 10 Chinese investments realized in Spain after 2010. Eight of them consisted of Greenfield investment with full participation of the Chinese investor. Solar energy is the economic activity that receives the highest number of Chinese investments in Spain, as noted by Quer Ramón et al. (2015). In addition, ESADE (2015) posits that Chinese investments in solar and wind energy are likely to increase in the near future. According to the report, it is among the most attractive Spanish sectors for Chinese investors. We find that 71% of these subsidiaries export and 57% import. These are mainly small firms and only account for 77 jobs, and the majority are private.

We obtained responses for three firms that produce services (and not goods) and are strongly export oriented: two of them run R&D activities. One respondent indicates that they mainly develop and promote solar panels in South America. According to this manager, one of the main motives for investing in Spain is to use this country as a platform to access markets outside the EU. This manager highlights the importance of the Spanish labour force's specialization in this sector, together with the cultural and language ties between Spain and Latin America. This firm exports to Argentina, Brazil, Chile, Panama and Uruguay. These beliefs are shared by the other two respondents: all of them give a high importance to labour force qualifications and to the ease of access to markets outside the EU (see Graph 1). The other two firms export 70% of their sales to Romania, Germany and Senegal. For them, avoiding anti-dumping measures and tariffs is extremely important, while only one of the firms is concerned about the reduction of export costs.

Firms have other asset-seeking motives like making their brand known and improving the quality of their products. They do not only appreciate Spanish workers' qualification but also consider their cost as a way to improve their efficiency.

High competition at home has pushed these firms to invest abroad. But they also indicate that these investments are a way to reduce the risk associated with their economic activity. What Chinese investors appear to appreciate about Spain are characteristics such as the quality of infrastructures, political stability, the protection of private property, the transport infrastructure to access other markets and the economic situation. However, the ease of access to finance, investor protection and the legal framework are not considered relevant.

6. WHOLESALE: SUPPLYING SPANISH CUSTOMERS

In 1999, Chinese firms started to enter the Spanish market in order to distribute their products and the number of projects has increased continuously, in particular since 2008: 40.6% of the projects recorded in our database are carried out in the wholesale and retail trade sector. According to the available information, around two thirds have entered through Greenfield investment. Additionally, around 78% are wholly owned subsidiaries. The weight of private investors is lower in this sector (56.3%). In terms of trade, 64.9% do export and, as expected, nearly all of them are importers. These firms employ approximately 2,331 people, more than 80% of these firms being small. They distribute a wide range of products like food, telecommunications equipment, computers, chemicals, metals, textiles or vehicles.

In this sector, 12 firms out of 39 identified in our database answered the questionnaire. Overall, these firms are strongly motivated by asset-seeking considerations, while efficiency-seeking considerations and the home-country characteristics play a relevant but secondary role. These firms are trying to build brand reputation; and they import products from China to support exports from investors.

Asset seeking is the principal motivation for investing in Spain in the wholesale sector. Acquiring a recognized brand appears as the most valued incentive, closely followed by accessing the highly qualified workforce, making the company's brand known in Europe and adapting the firm's products to the EU quality standards. Most firms are also interested in improving the efficiency of the services they deliver. In this line, the increase of wage costs in China significantly influences their decision.

High competition at home is a major concern behind these investment decisions. They also invest to reduce the risk associated with their economic activity. Half of these firms were also pushed by the institutional restrictions at home and/or the incentives to invest abroad.

Reducing export costs, and avoiding tariffs and non-tariff barriers, appear as relevant motivations for investing in Spain for half of them while they are not important at all for the others. Additionally, for 7 firms, the ease of access to markets outside the EU is a relevant factor. This is in harmony with the fact that only 8 of the surveyed firms do export.

Consequently, 7 firms value the institutional and economic Spanish context highly, with the quality of Spanish infrastructures the highest rated aspect. We detect 5 possible cases of opportunistic acquisitions out of the 8 surveyed M&As. Nevertheless, most firms are also motivated to accept Chinese capital due to previous investment and commercial relationships, the start of a common project, strategic alliances and diversification of export markets.

7. DIFFERENT PROFILES

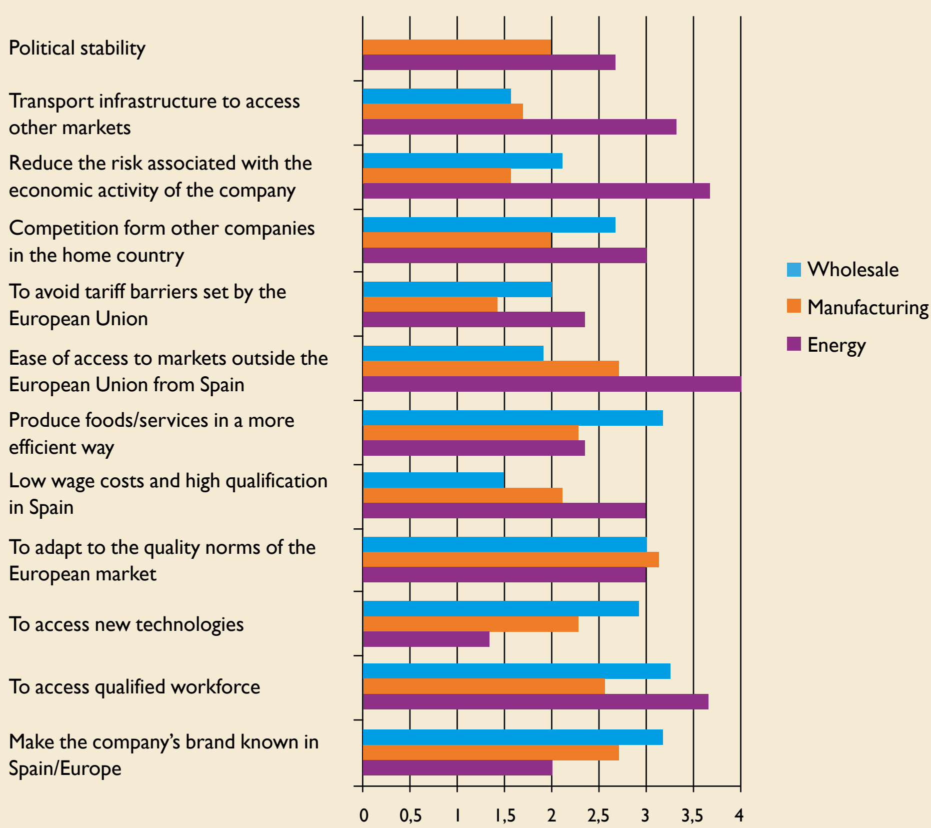
Despite some similarities across sectors, we also find interesting differences in the strategies and activities followed by Chinese investors. Concerning location, subsidiaries operating in manufacturing are more widely distributed across Spain, while firms from wholesale are heavily concentrated in Catalonia and Madrid. Since these firms aim to sell their products in the Spanish market, they concentrate in areas with high consumer density like Barcelona and Madrid, and distribute their products from there to other regions. Investments in manufacturing, however, are more distributed throughout Spanish regions. As illustrated in **Table 2**, most of these investments consisted of M&A. In consequence, location is not so important as the opportunity to acquire a firm that offers the capacity to adapt the investors' products to the local market, to access new technologies and experienced workers. Firms in manufacturing are mostly medium and large firms that previously existed. In contrast, subsidiaries in renewable energy and wholesale sectors are mainly small, and mostly consist of Greenfield investments. The majority of Chinese investments comprised wholly owned subsidiaries except for M&A in manufacturing. Moreover, Chinese subsidiaries are strongly integrated in international markets via exports and imports.

Chinese projects are mainly performed by private firms, but the presence of SOEs or mixed ownership firms is higher in wholesale. The heterogeneity of products covered by this sector may explain the heterogeneity of the investors. Moreover, the Chinese government strongly promoted the internationalization of domestic firms through commercial expansion and SOEs have especially benefited from the "go global" policy.

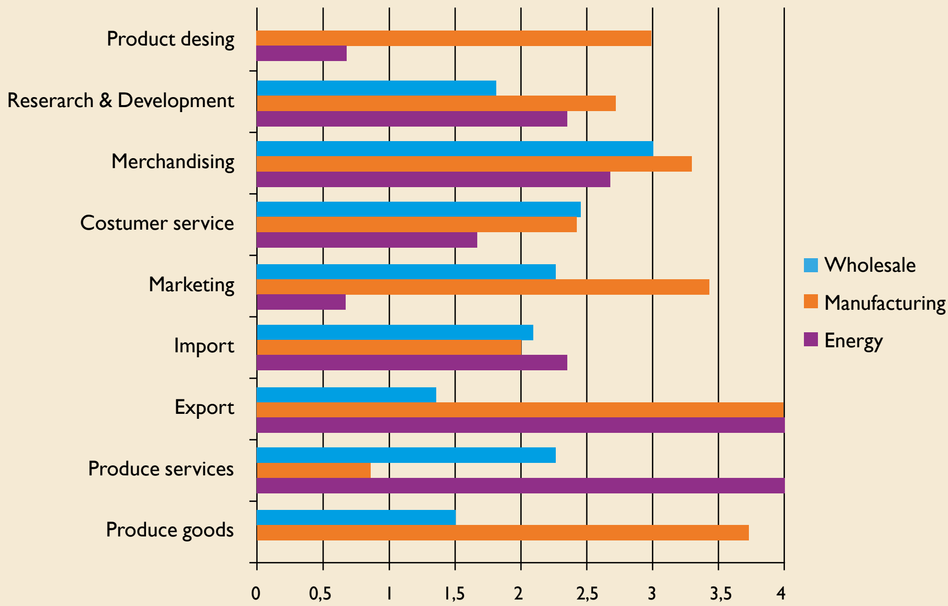
Graphs 2 and 3 illustrate the main differences across sectors, drawing three different profiles. Manufacturing firms are motivated by acquiring and developing new capabilities. This explains why manufacturing is probably the sector most likely to receive opportunistic M&As. These projects not only target the Spanish market but also other markets inside and outside the EU. Other trade considerations, trade barriers or export costs are on average less important in comparison with the other two sectors because they do not distribute Chinese products. Additionally, firms in manufacturing are less sensitive to home and host country characteristics. These findings go in line with most Chinese firms investing through M&As in order to access new capabilities and probably to take advantage of the already developed commercial links of the acquired firms. Moreover, as shown in Table 2, this sector has the lowest presence of wholly owned subsidiaries. Shared ownership is likely to increase the rate of success of this kind of project.

Renewable energy firms are also motivated by acquiring and developing new capabilities and to provide services inside and outside the EU. Unlike manufacturing firms, firms in renewables internationalise mainly through greenfield expansion, which is the expected strategy for firms aiming to support exports from the parent company. Greenfield investments maximize managerial control and ensure that adjustment to local market needs and tastes will become a differentiation advantage for the firm (Child and Rodriguez, 2005). As pointed out by ESADE (2015), China is seeking to foster renewable energies and Spain has cutting-edge technology in this sector. Unlike M&A, greenfield acquisitions do not allow access to superior technology controlled by a firm in order to overcome their existing disadvantage. Respondents are especially interested in the assets embodied by Spanish workers. Accessing the Spanish workforce may guarantee the transfer of tacit knowledge to make good use of technology and to establish contact with European and Latin American markets. Spain is a unique location for firms in renewables since they highly value two intangible Spanish assets:

Graph 2. **Main differences in FDI motivations**



Graph 3. **Differences in economic activity**



the cultural closeness to the Latin American countries and the qualification of Spanish workers. Responses also reveal their efforts to develop their own capabilities through R&D. In China, this sector has been expanding rapidly over recent years. Chinese firms face highly competitive environment and value highly the opportunity Spain represents to reduce risks. For these reasons, M&A projects are expected to increase in this sector in the near future.

Finally, firms from wholesale and retail trade are naturally more concerned with the Spanish market as they provide services or commercialize Chinese products. In contrast, efficiency seeking and exports to other markets play a secondary role. In this case, subsidiaries are more devoted to support Chinese exports to Spain and improving their brand awareness. Investments in this sector are pushed out by some home-country factors: again, respondents highlight the intensive competition faced in China. These results go in line with pure market-seeking considerations pushed by high competition at home. Low brand awareness of Chinese firms' brands represents a barrier to this purpose (ESADE, 2014 and 2015). In this sector, acquiring a recognized brand appears as the main asset-seeking motivation (**Table 2**). They also wish to adapt their products' quality to the European norms. Results also indicate that firms give high importance to customer service, making considerable internal and external efforts to improve their market position in Spain and probably in Europe.

Overall, asset seeking seems to be a common objective across sectors and is particularly highly valued in manufacturing and wholesale. In this aspect, it is worth highlighting how all three sectors give almost the same importance to adapting their products' quality to the European standards. Efficiency considerations are more relevant for wholesale, while the cost of labour receives a higher valuation in renewable energy. In the first case, firms probably consider their capacity to be closer to their final customers as an efficiency gain. But in the second case, Spanish labour qualification and culture are probably more valuable assets in order to access the Latin American market. Regarding home and host factors that push and pull FDI, we find that competition at home is a relevant push factor across sectors, but results indicate that the energy sector is more sensitive to these aspects.

8. CONCLUSIONS

Recent trends in OFDI indicate that Chinese OFDI will continue growing[6]. This is also likely to be true for the Spanish case. For business practitioners in the Spanish markets, better knowledge of these new players will help them to detect possible opportunities and risks. The near future is difficult to predict since the current economic deceleration in China might either slow down or push its international expansion: OFDI might slow down as long as financial resources and domestic demand diminish. Additionally, the government might stop encouraging Chinese firms to go abroad as it may be more interested in domestic investment. However, Chinese firms will need to substitute their domestic demand and find new markets. Their survival might depend on their capacity to expand abroad.

Western entrepreneurs have to be aware that new players are entering their markets. As the present work indicates, most Chinese MNEs are still making significant efforts to overcome their disadvantages and build on solid competitive advantages, although there are those like Huawei already capable of competing with firms that are well established internationally. Altogether, Chinese firms may be formidable competitors. They are already operating in large, complex and competitive markets. Recently, their rapid and successful expansion has provided many of them with large financial resources that allow them to continue growing.

Investments from China also provide new business opportunities. Most investors are motivated by asset-seeking considerations, in order to overcome their weaknesses. In this line, Spanish firms can provide services to Chinese firms, such as consultancy, solutions, and appropriate marketing strategies for the Spanish and European market or technologies of interest. Offering high value-added services may be of mutual interest. Moreover, Chinese firms are interested in accessing markets commercially and culturally close to Spain, like Latin America. Again, domestic firms have valuable information and experience to offer to Chinese firms.

The increasing presence of Chinese firms in Spain provides opportunities to forge alliances that can benefit both parties. In this line, our results indicate that strategic alliances play a relevant role in M&As. On one hand, such alliances may facilitate Spanish firms' access to the Chinese market. Perea & Ripoll i Alcon (2014) show that many Spanish firms still have significant problems in this aspect. On the other hand, Chinese firms can also greatly benefit from alliances to overcome cultural or legal barriers, and to access the local market. As showed, they wish to improve their recognition in the European market and to take advantage of the assets available in Spain.

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NOTES

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2. Contact Author: Department of Economic Theory and History. Facultad de Ciencias Económicas y Empresariales; Universidad de Granada; Campus Cartuja, s/n; E-18071 Granada; Spain.
3. In ESADE (2015) 24 companies answered the questionnaire.
4. SABI (Sistema de Análisis de Balances Ibéricos) is a Spanish firm level database from Bureau van Dijk which reports all the information available from the commercial register.
5. Named TMSystem
6. Although China is at the moment the third largest World investor, Chinese OFDI still has huge potential. The UNCTAD database shows that Chinese OFDI over GDP during the period 2011-2014 has been systematically lower than both developing and developed countries’ average. In 2014, China’s OFDI represented 1.15% of GDP, while OFDI represents 1.86% and 1.80% of developing and developed countries’ GDP respectively.