China’s ODI: An Overview, Trend & Opportunities and Green Growth

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Agenda

• An Overview of China’s ODI

• Trend and Opportunities

• Green & Sustainable Development
An Overview of China’s ODI

• Not a significant player until after 2000
• From 2002-2013: $2.7bn to $108bn, 40 times, >40% annual growth
• Growth rate of 123% in 2005 and 111% in 2008
• Flows and stock: from the 26\textsuperscript{th} and 25\textsuperscript{th} place to the 3\textsuperscript{rd} and 11\textsuperscript{th}
• 25,400 Chinese companies abroad with ODI stock of $660.5bn, and total overseas assets close to $3tn
• Created a total of 967,000 local jobs for the host economies, including 102,000 in the developed world
An Overview of China’s ODI

• Across 184 countries and regions, but concentrated in Asian region
• Asia accounts for 68% of flows and 74% of stock in China’s ODI
• Geographical proximity and cultural similarity
• Commercial services, mining, wholesale and retail, financial services, manufacturing and construction: 78% and 86% in flows and stock respectively
• Commercial services and mining accounting for 51% of flows and 46% of stock
China’s Outbound Direct Investment Flows 2002-2013 in $100mn

Source: MOFCOM stats
Trend & Opportunities

China’s ODI growth slowed to 4% during the first 7 months in 2014 due to:

• Likely discrimination, economic nationalism or protectionism: the cases of Huawei and Sany
• Economic slowdown in China resulting in weakening domestic demand and ability to finance overseas investment
• Depreciation of RMB since early 2014
• Growth is expected to moderate to around 10% in 2014
Trend & Opportunities

Driving forces behind the growth of China’s ODI:
• Rise of China’s economy: GDP, FOREX, savings rate
• Competitiveness in manufacturing: value-added, production capacity, Chinese MNCs in Fortune500
• Strength in infrastructure and engineering: power, nuclear power, railway, highway, high-speed train
• Closer economic ties with Africa, Latin America, Central Asia: infrastructure & industrialization
• Reform in China’s ODI regime: facilitation in access
• China-US & China-EU BIT: spill-over of FDI regime of pre-establishment national treatment based on a negative list of reserved sectors to benefit China’s ODI
Forecast: China’s ODI and FDI will converge within 3 years or less

Source: MOFCOM stats; in $100mn
Green & Sustainable Growth

Policy framework consisting of 3 guidelines:

• Guidelines for employee management in overseas Chinese companies covering employee training, respect for cultural and religious differences, non-discrimination in employment, safety, dispute settlement through friendly consultation, etc.

• Guidelines for corporate culture building covering corporate citizenship, CSR, harmony with local society, quality system, etc.


• Incentives are provided to encourage Chinese investors to conform.
New Measures on ODI published on Sept. 6, 2014:
• Facilitates investment outflows by simplifying procedures and requiring fewer documents
• Record-keeping instead of approval
• Shorter time: 3 working days
• Code of conduct in environment, labor protection, corporate culture, CSR, etc.
• More public services, e.g. market information on investment destination, risk warning, BIT, etc.
Example 1: JUSHI Egypt
Highlight of JUSHI Egypt

- Investment: $223mn, ultimately reach $700mn
- Employment: more than 1000 local jobs
- Output: 80,000t/year of fiber-glass mainly for export
- Introduced a new high-tech industry that had not existed in Egypt and set the industry standard
- Environment and labor protection, staff training, corporate culture and CSR among the highest standard in Egypt
Example 2: Sino-Tharwa Drilling
Highlight of Sino-Tharwa Drilling

• Invested $270mn to build the Bahari-1 Rig, the most-advanced off-shore rig in Egypt
• Applied OHSAS18001 for occupational health and safety assessment series, ISO9001 for quality system and ISO14001 for environment protection
• Industry Leader of the drilling sector in Egypt in terms management, brand image, and profitability
• Charges the highest daily drilling rate ($110,000/d?)
Thank You!

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