



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

*Chen Lin, MOFCOM*

*Sept. 15, Berlin, Germany*



# Agenda

- **An Overview of China's ODI**
- **Trend and Opportunities**
- **Green & Sustainable Development**



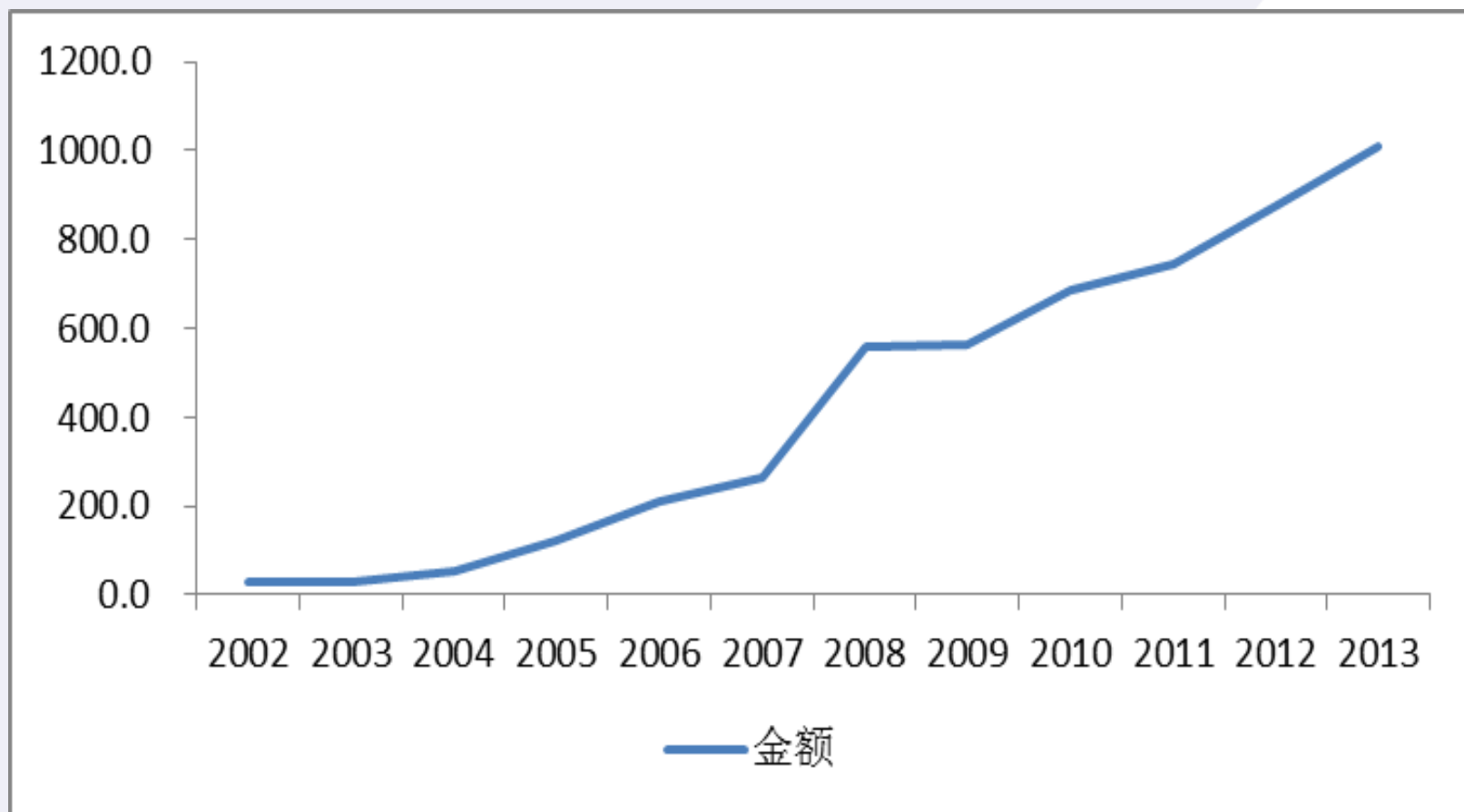
# An Overview of China's ODI

- 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<sup>th</sup> and 25<sup>th</sup> place to the 3<sup>rd</sup> and 11<sup>th</sup>
- 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

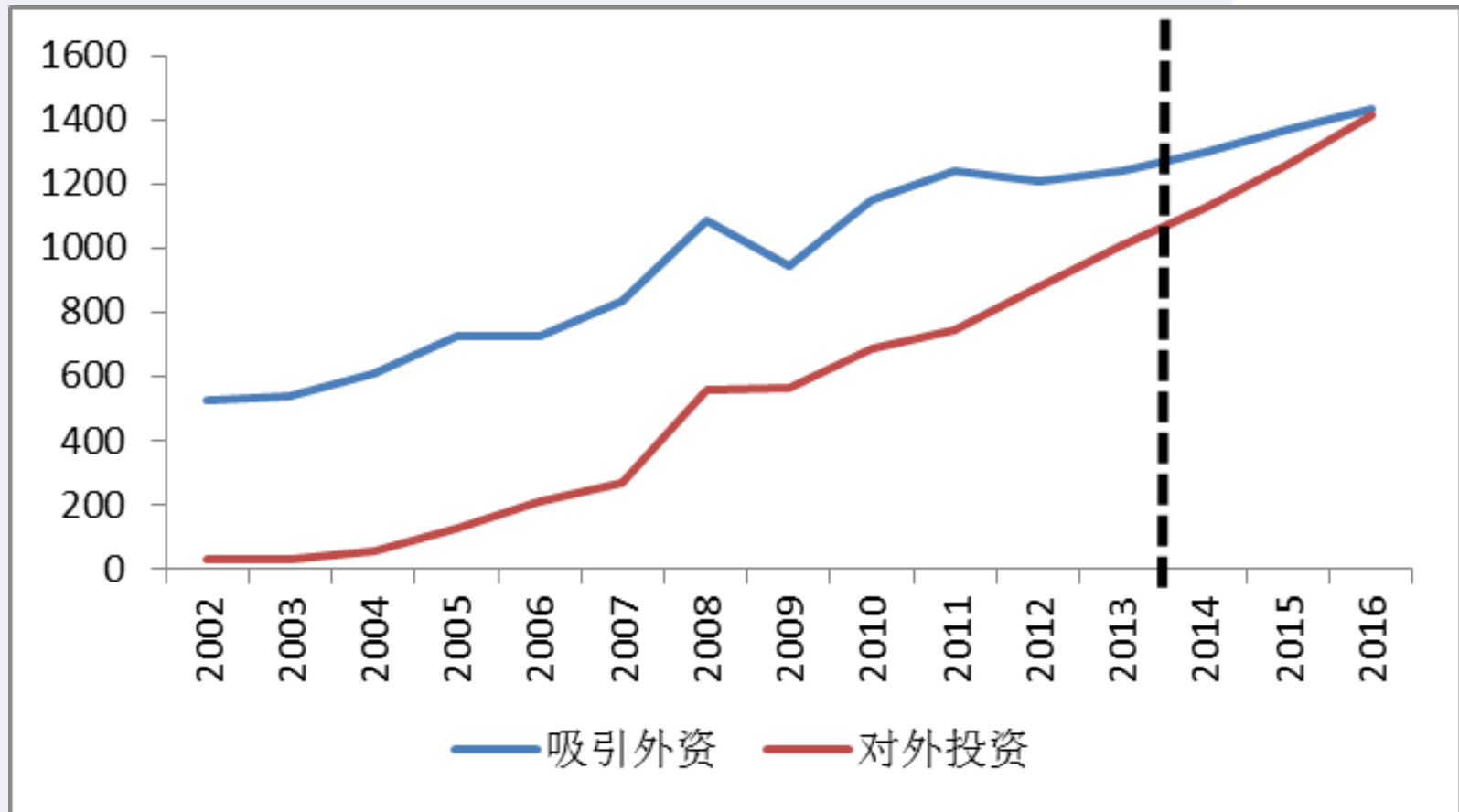
# Trend & Opportunities

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.
- Guidelines for environment protection covering environment-friendly, resource-saving, low-carbon and green & clean production and development.
- Incentives are provided to encourage Chinese investors to conform.

# Green & Sustainable Growth

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!

Email: [chenlin@mofcom.gov.cn](mailto:chenlin@mofcom.gov.cn)