

Where is China investing?

CHINESE COMPANIES HAVE BEEN SOME OF THE BIGGEST INVESTORS AROUND THE WORLD OVER THE PAST DECADE. **CATHY MULLAN** LOOKS AT WHERE THE MONEY IS GOING

Following the financial crisis that hit Asia in the late 1990s, the Chinese government introduced its 'Going Out' or 'Going Global' strategy. The country had been open to inward FDI for a number of years at this stage, and the time had come to promote Chinese companies globally.

The government aimed to increase investment, promote its Chinese brand of companies and improve the country's free market. The policy became one of the government's 'four modernisations' and encompassed a range of schemes to assist outward FDI, such as using currency reserves to support foreign

investment, offering tax rebates to investors and encouraging Chinese embassies globally to offer more and better financial assistance.

A worldwide web

The result has been a boom in Chinese outward FDI. Between January 2009 and December 2013, greenfield investment monitor fDi Markets recorded a total of \$161.03bn in Chinese outward FDI, creating almost 300,000 jobs across the world. During this period, in terms of investment projects, China was the ninth largest source country for FDI, peaking in 2011 with 429 projects. In terms of both capital expenditure and job creation, China was ranked seventh globally.

PROJECTS FROM CHINA BY REGION

REGION	2009	2010	2011	2012	2013	TOTAL
Western Europe	110	127	137	99	96	569
Asia-Pacific	116	103	127	92	86	524
North America	34	44	58	44	47	227
Rest of Europe	21	32	37	34	32	156
Latin America & Caribbean	16	23	38	21	22	120
Africa	18	12	23	36	10	99
Middle East	10	7	9	11	6	43
Total	325	348	429	337	299	1738

Source: fDi Markets

PROJECTS FROM CHINA BY COUNTRY

COUNTRY	2009	2010	2011	2012	2013	TOTAL
Germany	65	77	80	60	54	336
US	34	38	44	36	40	192
Hong Kong	22	12	12	24	10	80
UK	12	9	15	14	13	63
India	6	22	14	9	9	60
Brazil	7	10	20	10	9	56
Taiwan	15	13	8	6	11	53
Australia	7	7	21	12	4	51
Singapore	6	10	14	10	11	51
Russia	11	13	10	7	8	49
Canada	0	6	14	8	7	35
France	7	9	9	4	6	35
Indonesia	7	5	13	2	3	30
Japan	5	6	5	8	6	30
Malaysia	5	5	8	4	7	29
South Africa	4	6	6	9	4	29
United Arab Emirates	2	6	5	8	4	25
Thailand	8	5	4	3	4	24
Poland	2	4	9	4	4	23
Italy	7	6	4	4	1	22

Source: fDi Markets

CHINESE PROJECTS BY DESTINATION CITY, 2009-13

CITY	COUNTRY	TOTAL
Düsseldorf	Germany	81
Hong Kong	Hong Kong	80
Singapore	Singapore	51
Frankfurt	Germany	50
Cologne	Germany	36
London	UK	26
New York	US	21
Dubai	UAE	18
Taipei	Taiwan	16
Paris	France	15
Neuss	Germany	12
Los Angeles	US	11
Sydney	Australia	11
Melbourne	Australia	10
Milan	Italy	10
Seoul	South Korea	10
Tokyo	Japan	10
Bremen	Germany	9
Moscow	Russia	8
São Paulo	Brazil	8

Source: fDi Markets

JOBS CREATED BY CHINESE FDI BY REGION

REGION	2009	2010	2011	2012	2013	TOTAL
Asia-Pacific	22,084	33,287	34,489	9,949	19,216	119,025
Rest of Europe	11,387	13,339	12,437	9,370	5,906	52,439
Latin America & Caribbean	5,196	5,721	18,191	11,461	7,509	48,078
Africa	6,511	3,937	7,626	15,936	3,438	37,448
North America	2,732	3,987	4,527	2,769	4,742	18,757
Western Europe	2,607	4,463	5,863	2,417	2,942	18,292
Middle East	2,174	442	1,776	651	338	5,381
Total	52,691	65,176	84,909	52,553	44,091	299,420

Source: fDi Markets

TOP 10 SECTORS

BY PROJECTS



12.6%	Communications
10.4%	Financial services
9.8%	Electronic components
9.5%	Industrial machinery, equipment and tools
6.9%	Business services
6.5%	Metals
6.2%	Automotive OEM
4.9%	Software and IT services
3.2%	Consumer electronics
3%	Automotive components
27.1%	Other

BY JOBS CREATED



29%	Automotive OEM
14%	Metals
13%	Communications
6%	Industrial machinery, equipment and tools
5%	Food and tobacco
4%	Consumer electronics
4%	Electronic components
3%	Financial services
3%	Textiles
3%	Coal, oil and natural gas
17%	Other

BY PROJECTS



21%	Metals
17%	Coal, oil and natural gas
13%	Automotive OEM
11%	Alternative/renewable energy
7%	Communications
6%	Financial services
5%	Food and tobacco
3%	Electronic components
3%	Industrial machinery, equipment and tools
2%	Building and construction materials
12%	Other

JOBS CREATED BY CHINESE FDI BY COUNTRY 2009-13

COUNTRY	TOTAL
India	29,208
Brazil	27,833
Russia	22,844
Indonesia	17,738
US	16,751
Malaysia	10,445
Turkey	9,733
Argentina	9,366
Thailand	8,292
Cameroon	8,000
Zambia	7,174
South Africa	6,479
Philippines	6,468
Germany	6,193
Singapore	5,415
Romania	5,217
Hungary	4,410
Poland	4,070
UK	3,943
Vietnam	3,872

Source: fDi Markets

JOBS CREATED BY CHINESE FDI BY CITY 2009-13

CITY	COUNTRY	TOTAL
Kribi	Cameroon	8000
Bangalore	India	5795
Singapore	Singapore	5415
Pune	India	3763
Cikarang	Indonesia	3300
Hong Kong	Hong Kong	3120
Chennai	India	3009
Halmahera	Indonesia	3000
Sakarya	Turkey	3000
Johor Bahru	Malaysia	2903
Jacareí	Brazil	2229
Madang	Papua New Guinea	2107
Hortolândia	Brazil	2000
London	UK	1942
Paksong	Laos	1710
Semarang	Indonesia	1594
Moscow	Russia	1561
Istanbul	Turkey	1556
Pabna	Bangladesh	1450
Chambishi	Zambia	1439

Source: fDi Markets

In the five-year period studied, western Europe proved to be the largest regional recipient of Chinese outward FDI, receiving 569 projects. Germany received the highest number of FDI projects of all countries globally (336 projects), while Düsseldorf, with 81 projects, was the number one destination city. Other German destinations feature in the top 20 cities, including Cologne, Neuss and Bremen. Frankfurt also features, attracting 17 projects in total, which were primarily headquarters and office projects. Many Chinese companies which invested in Germany identified access to the European market as a key driver.

Asia-Pacific was the second-highest regional recipient of Chinese outward FDI. Hong Kong

and Singapore were placed second and third in the global top 20 cities list, after Düsseldorf. Hong Kong won 80 projects in total, with financial services and business services topping the list of investments. Singapore attracted 51 projects, with Chinese companies focusing on electronic components and software and IT services, as well as the more common financial and business services sectors.

In terms of Chinese outward capital expenditure, Asia-Pacific was the highest regional recipient. The metals, alternative and renewable energy and coal, oil and natural gas sectors attracted the largest investments, with the metals sector alone accounting for almost one-third of the overall Chinese outward capital investment total for the Asia-Pacific region. ▶

CHINESE CAPITAL EXPENDITURE BY COUNTRY 2009-13 (\$M)

COUNTRY	TOTAL
Brazil	11,417
Indonesia	9578
US	7993
India	5989
Russia	5830
Saudi Arabia	4478
Brunei	4309
Argentina	3292
Singapore	3256
Afghanistan	3200
Malaysia	2853
Australia	2731
UK	2696
Oman	2617
Hong Kong	2600
Canada	2087
Turkey	2037
Germany	1981
Zambia	1901
Papua New Guinea	1900

Source: fDi Markets

CHINESE CAPITAL EXPENDITURE BY CITY 2009-13 (\$M)

CITY	COUNTRY	TOTAL
Singapore	Singapore	3256
Ibri	Oman	2617
Yanbu' al Bahr	Saudi Arabia	2617
Hong Kong	Hong Kong	2600
Halmahera	Indonesia	2000
Madang	Papua New Guinea	1900
Khartoum	Sudan	1641
Cienfuegos	Cuba	1300
Gregory	US	1000
Jacarei	Brazil	830
Pune	India	754
London	UK	718
Rio de Janeiro	Brazil	718
Chambishi	Zambia	700
Istanbul	Turkey	653
Bangalore	India	573
Potsdam	Germany	568
Hortolândia	Brazil	506
Johor Bahru	Malaysia	501
Colombo	Sri Lanka	500

Source: fDi Markets

CHINESE CAPITAL EXPENDITURE BY REGION (\$M)

REGION	2009	2010	2011	2012	2013	TOTAL
Asia-Pacific	10,178.9	9090.3	18,540.9	5029.1	5712.2	48,551
Latin America & Caribbean	2662.5	3004.4	7048.5	3498.2	2077.3	18,291
Rest of Europe	2608.4	3744.8	2243.3	2063.2	1782.9	12,443
Middle East	4701.2	306.7	4637.3	1167.8	182.5	10,996
North America	1754.3	1039.1	3319.9	2427.6	1539.0	10,080
Western Europe	862.5	1286.7	2941.3	1105.7	1999.1	8195
Africa	2972.9	871.8	1773.8	1626.9	304.9	7550
Total	25,741	19,344	40,505	16,919	13,598	116,106

Source: fDi Markets

TOP 10 INVESTING COMPANIES 2009-13

RANK	COMPANY	TOTAL PROJECTS
1	Huawei Technologies	85
2	Industrial and Commercial Bank of China	42
3	Bank of China	41
4	ZTE	28
5	TP-Link Technologies	15
6	Beiqi Foton Motor	14
6	Xinhua News Agency	14
7	Chery Automobile	13
7	China National Petroleum	13
7	Haier Group	13
8	Agricultural Bank of China	12
8	China Construction Bank	12
8	YingKe	12
9	China Central Television	11
10	China Telecom	10
10	Great Wall Motors (GWM)	10
10	Nexteer Automotive	10
10	Trina Solar Limited	10

Source: fDi Markets

BRICS bonds

Latin America and the Caribbean was the third highest regional recipient of capital expenditure, totalling \$1.83bn. The country receiving the largest amount of capital investment was Brazil, which attracted \$1.14bn, or 62.7% of the total investment in the region. Brazil and China form part of the BRICS group of countries, whose political landscape leans towards market integration and diplomatic co-operation. According to a report published by the China-Brazil Business Council in 2013 (Chinese Investments in Brazil from 2007-2012: A Review of Recent Trends): "China overtook the US to become Brazil's largest trading partner, a position it maintains to date." The report adds: "More recently, an unprecedented surge in Chinese FDI in Brazil has marked a new phase in Sino-Brazilian economic relations."

Chinese outward FDI was most

heavily focused in the communications sector between 2009 and 2013. The largest Chinese investing company was Huawei Technologies, which provides telecom solutions. During the period, the company invested \$500m to expand its research and development (R&D) centre in Bangalore, India. It invested another \$300m in an R&D facility in Campinas, Brazil. Globally, the company invested in 85 projects between 2009 and 2013, including a range of projects from customer contact centres, research facilities and training facilities to data centres, manufacturing and logistics facilities and shared service centres and sales offices. Most of the company's investments during the period have been in western Europe, and the company's overall trend for investment in the region has been rising, peaking in 2013 with 10 projects in the region. ■