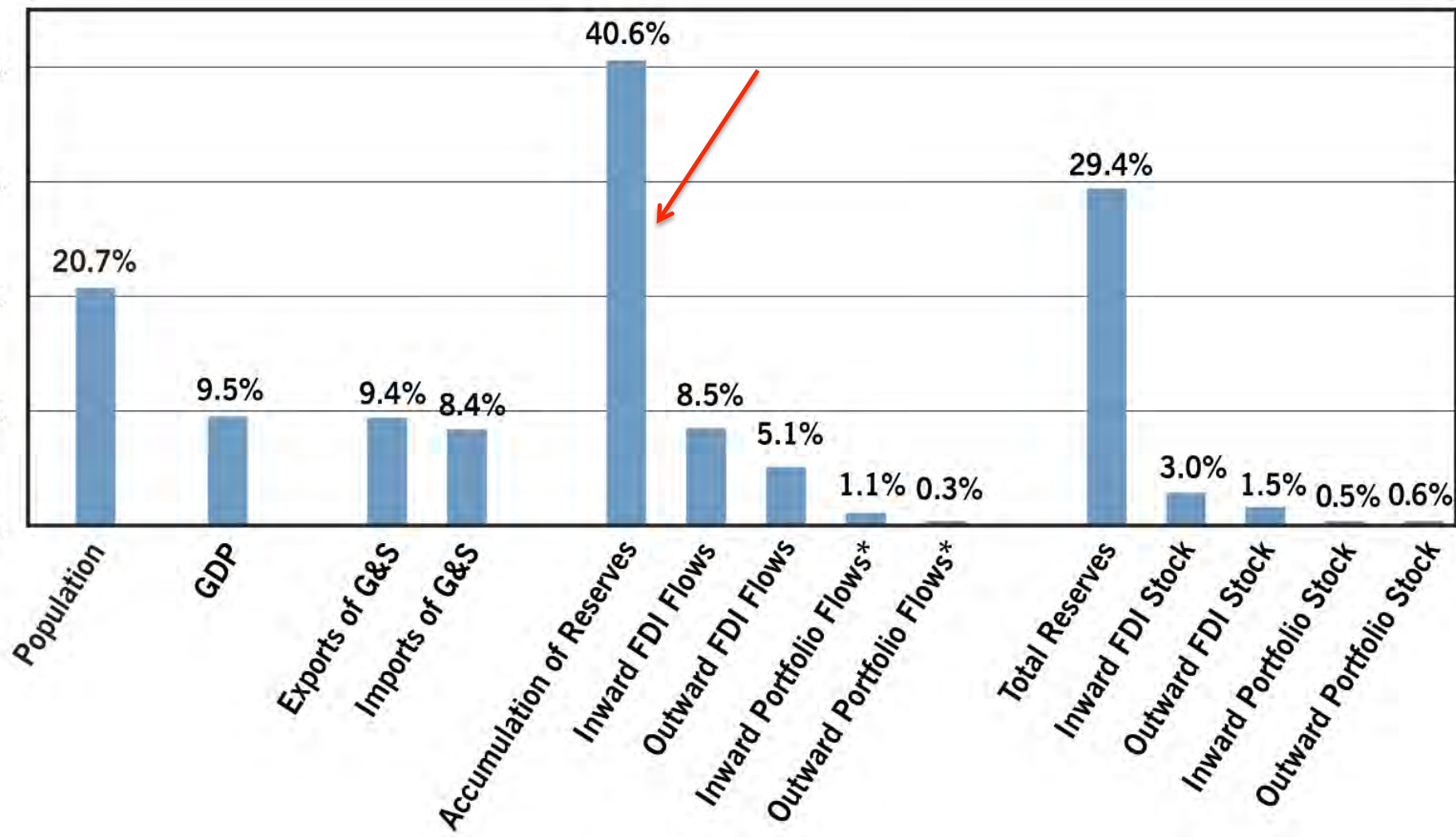


China's Investment Abroad

Motivations for FDI Abroad

- Persistent Current Account Surpluses
- Maturity of Leading Chinese Enterprises
- Strategic Business Considerations – Global Supply Chain and competitive Considerations
- Value Chain Upgrade
- Strategic Resource Requirements
- Enhancement of Innovation Capacity

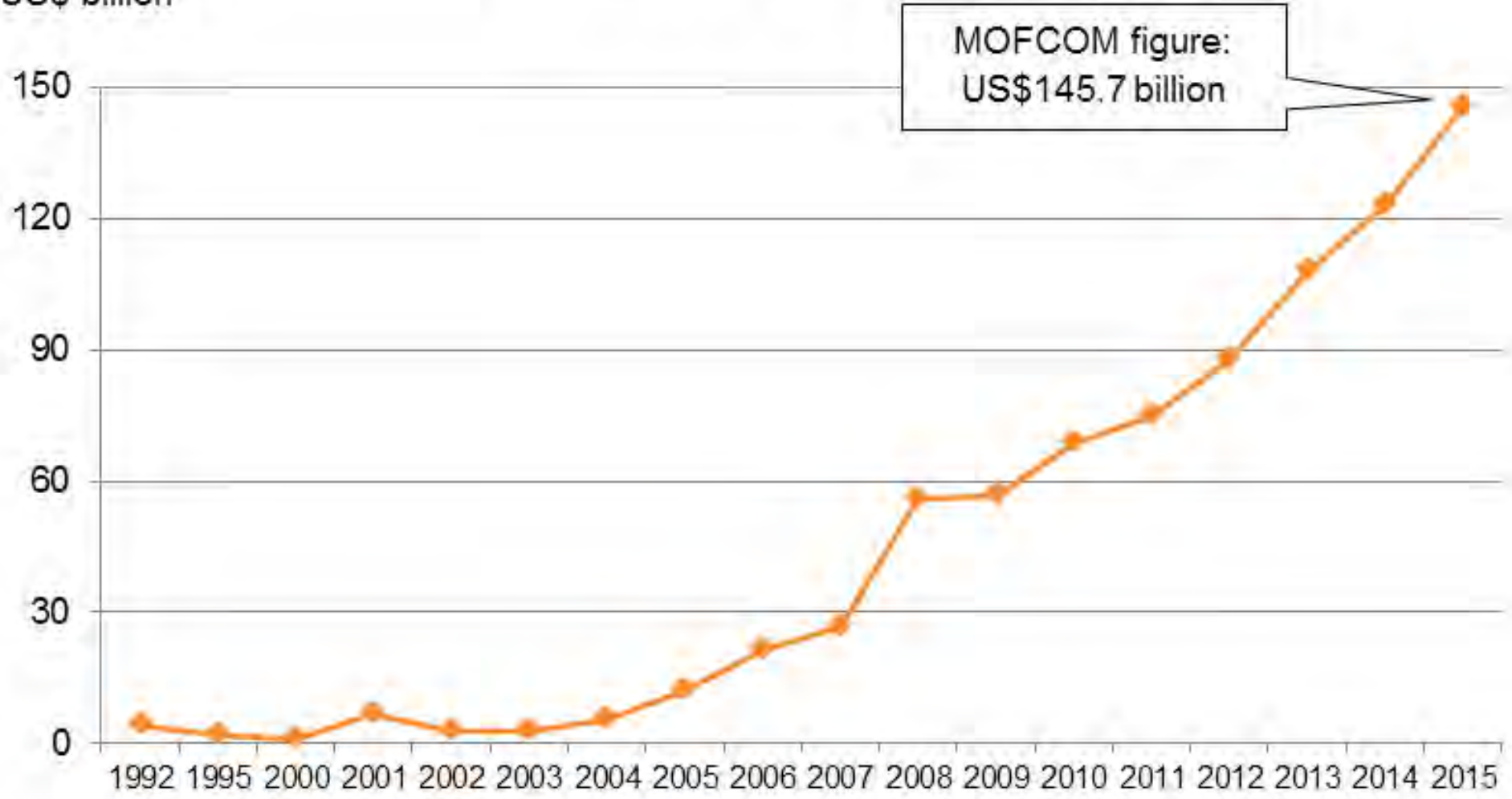
China in the Global Economy : Share of Global Total



Source: Daniel Rosen & Thilo Hanwmann, *China Direct Investment in California*, Asia Society, 2012, p.48

China's FDI Outflows

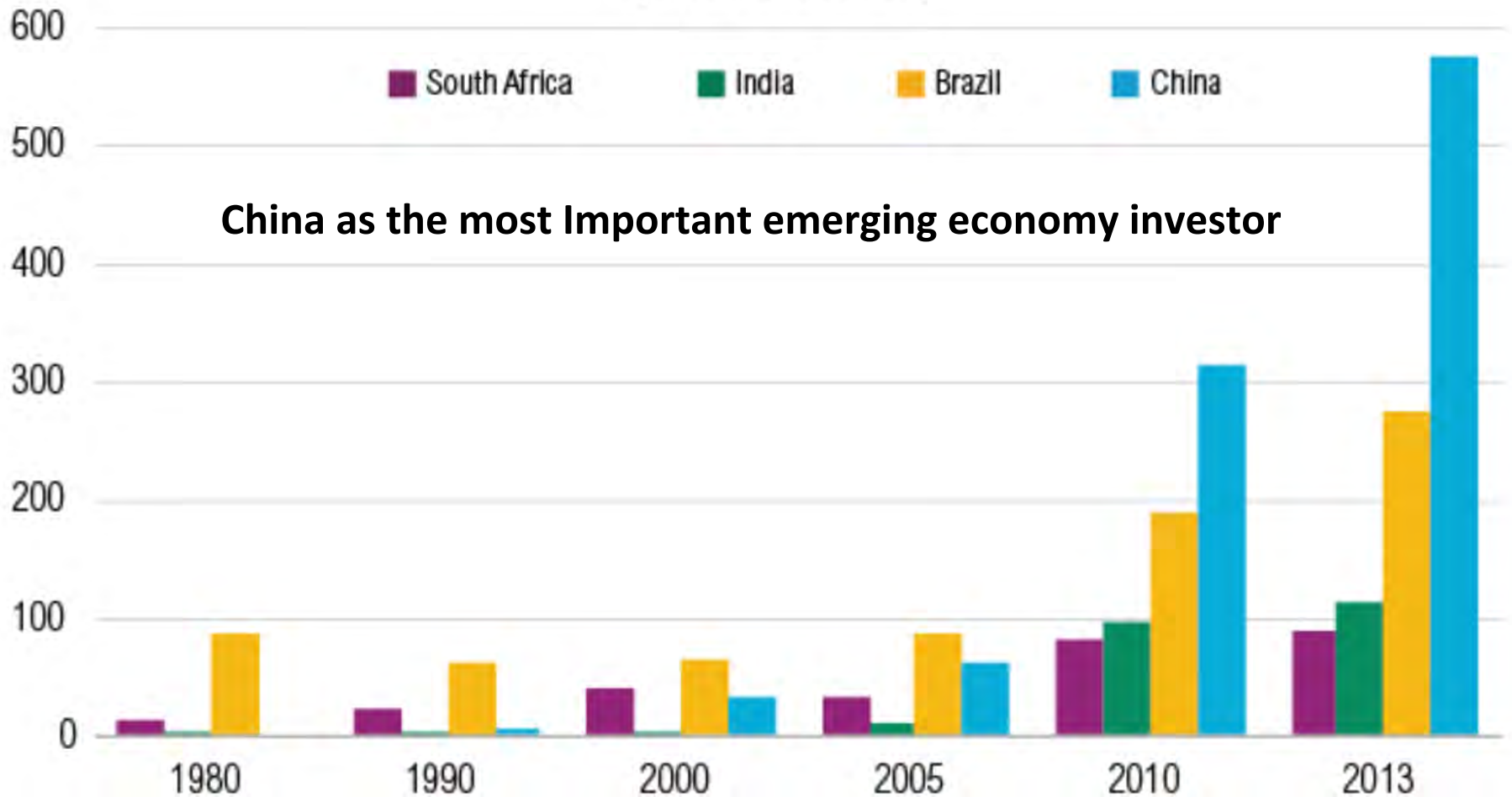
US\$ billion



Source: *Statistical Bulletin on China's Outward Foreign Direct Investment*

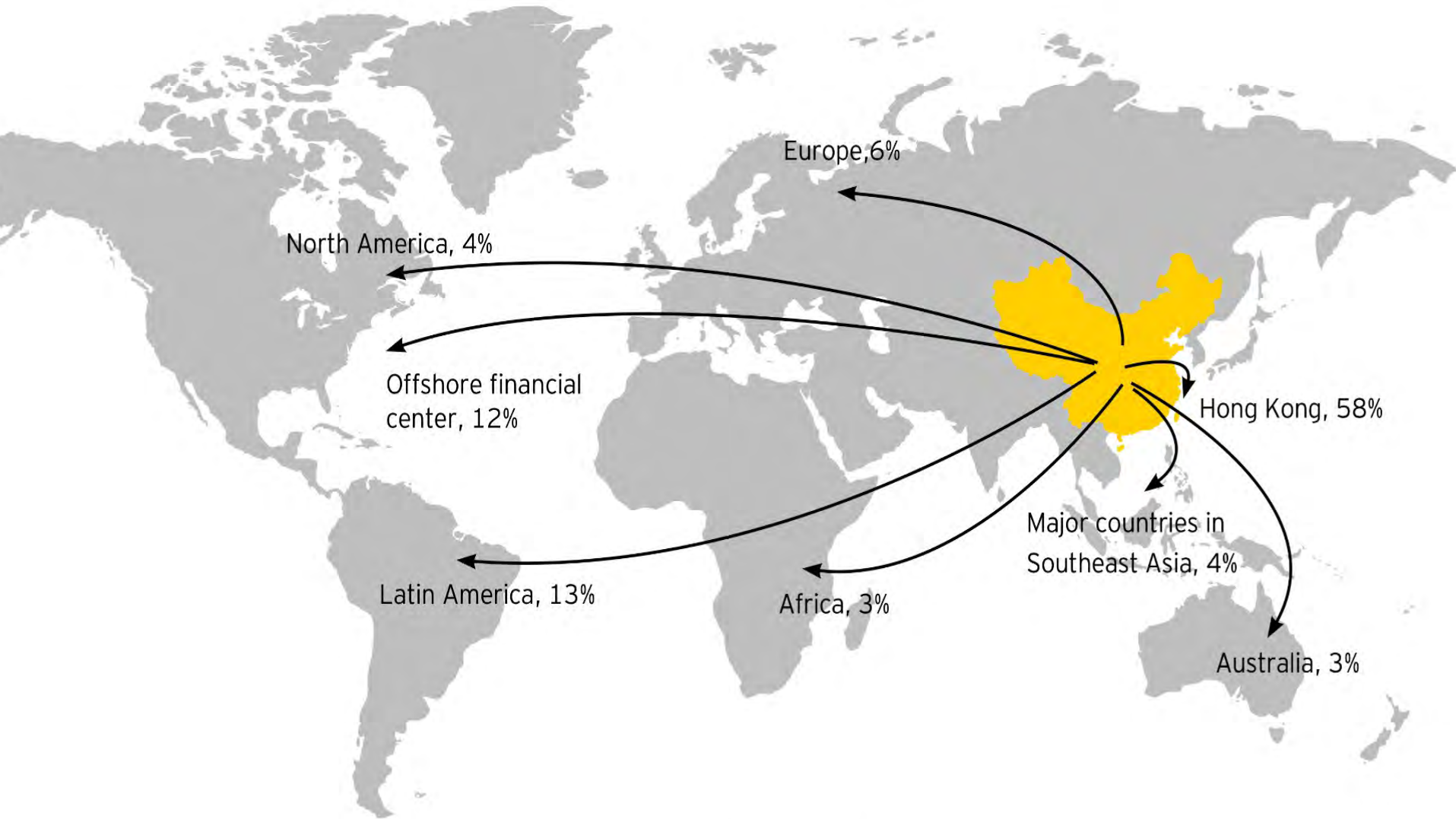
<http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/China-Takes-Global-Number-Two-Outward-FDI-Slot-Hong-Kong-Remains-the-Preferred-Service-Platform/rp/en/1/1X000000/1X0A804W.htm>

Global Outward Foreign Direct Investment (OFDI) Stock from Emerging Economies (in US\$ billion)*



* Adjusted for inflation

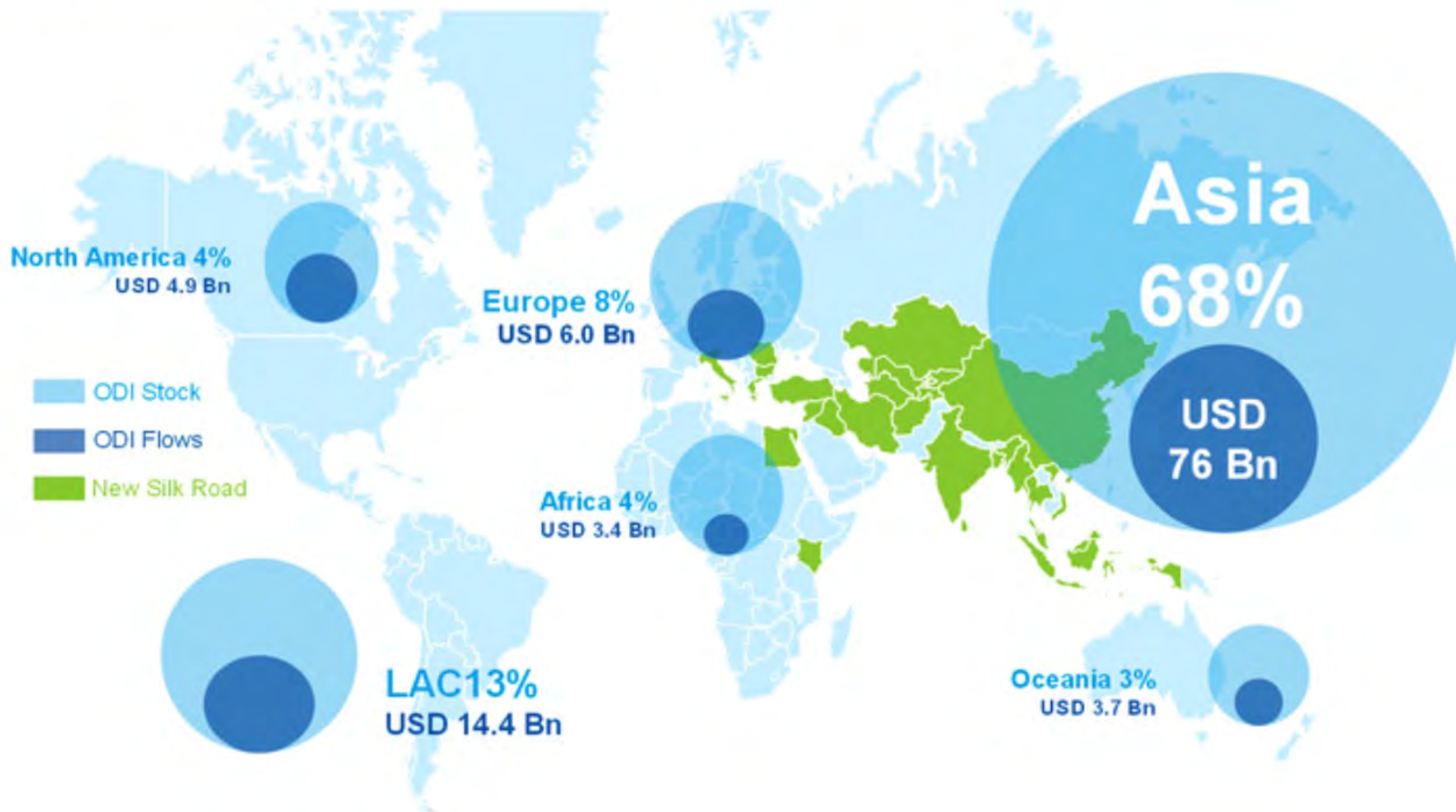
China's outward FDI footprint



Source: National Bureau of Statistics⁵

How China has Invested: 2013

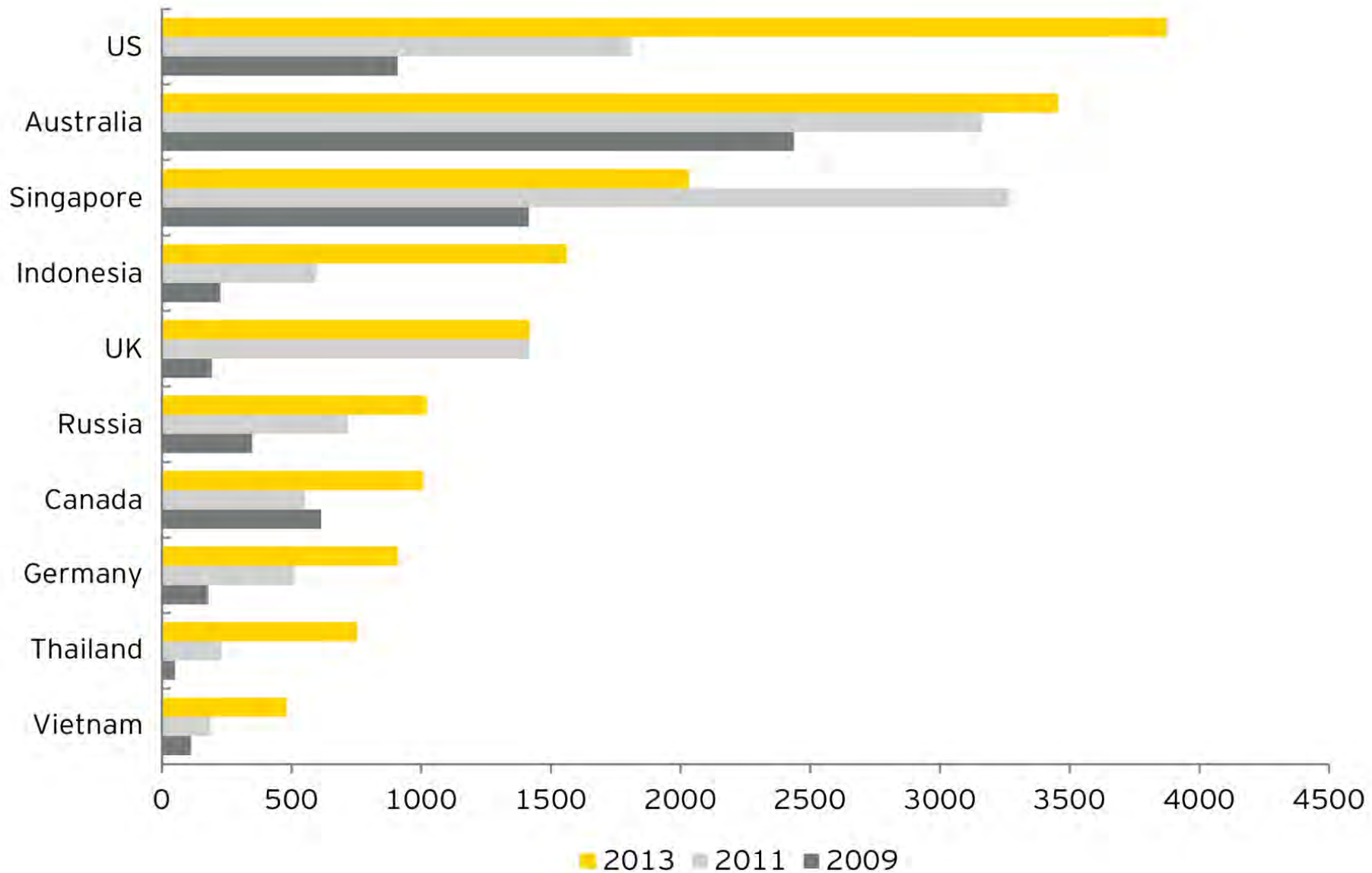
Distribution of Chinese ODI flows and stocks according to MOFCOM (2013)



Source: MOFCOM, NBS, SAFE and BBVA Research; Note: The bubbles are indicative and do not exactly represent the size of ODI flows and stocks.

Diagram source: Alicia Garcia-Herrero et.al., *China outbound foreign direct investment: How much goes where after round-tripping and offshoring*, BBVA Working Paper, June 2015.

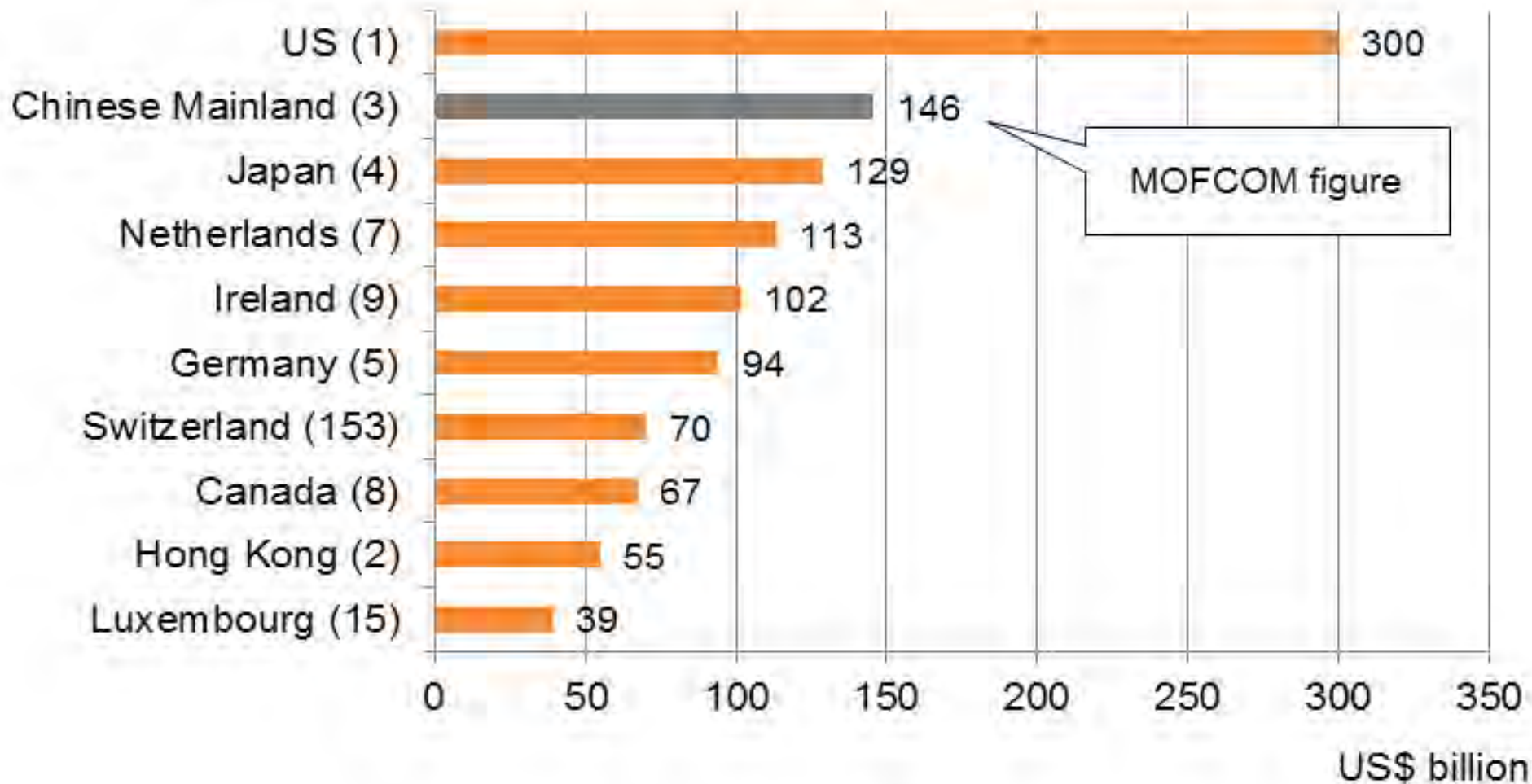
Top 10 Destinations of China's FDI (USD million), 2009-13



Source: Ministry of Commerce, data excludes Hong Kong, the Cayman Islands and the Virgin Islands

Diagram source: EY, *Riding the silk road: China sees outbound investment boom*, March 2015, p.12

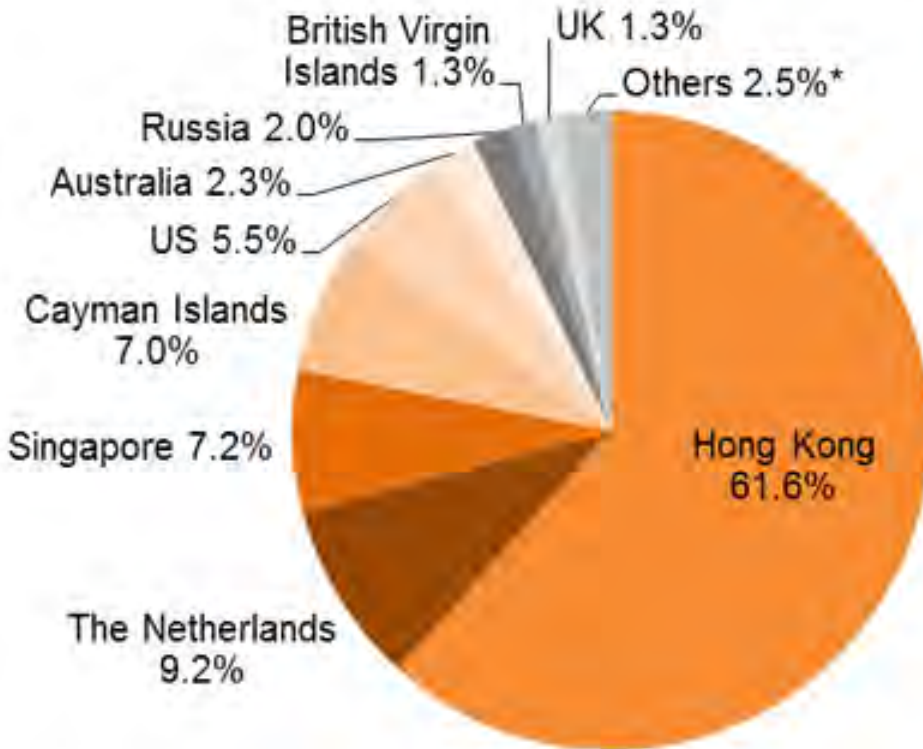
FDI Outflows of Major Countries and Regions in 2015



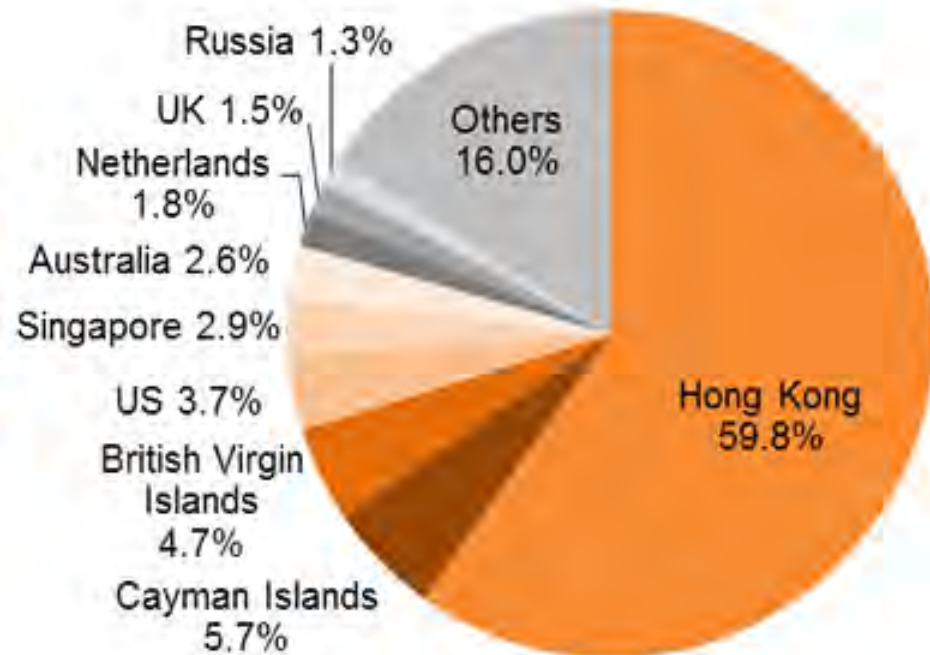
Remarks: Figures in parentheses are 2014 rankings

Source: Mainland figures – *Statistical Bulletin on China's Outward Foreign Direct Investment 2015*; other figures – *World Investment Report 2016*, UNCTAD

China's Outward FDI Destinations 2015



FDI Outflows in 2015:
US\$145.7 billion (+18.3%)



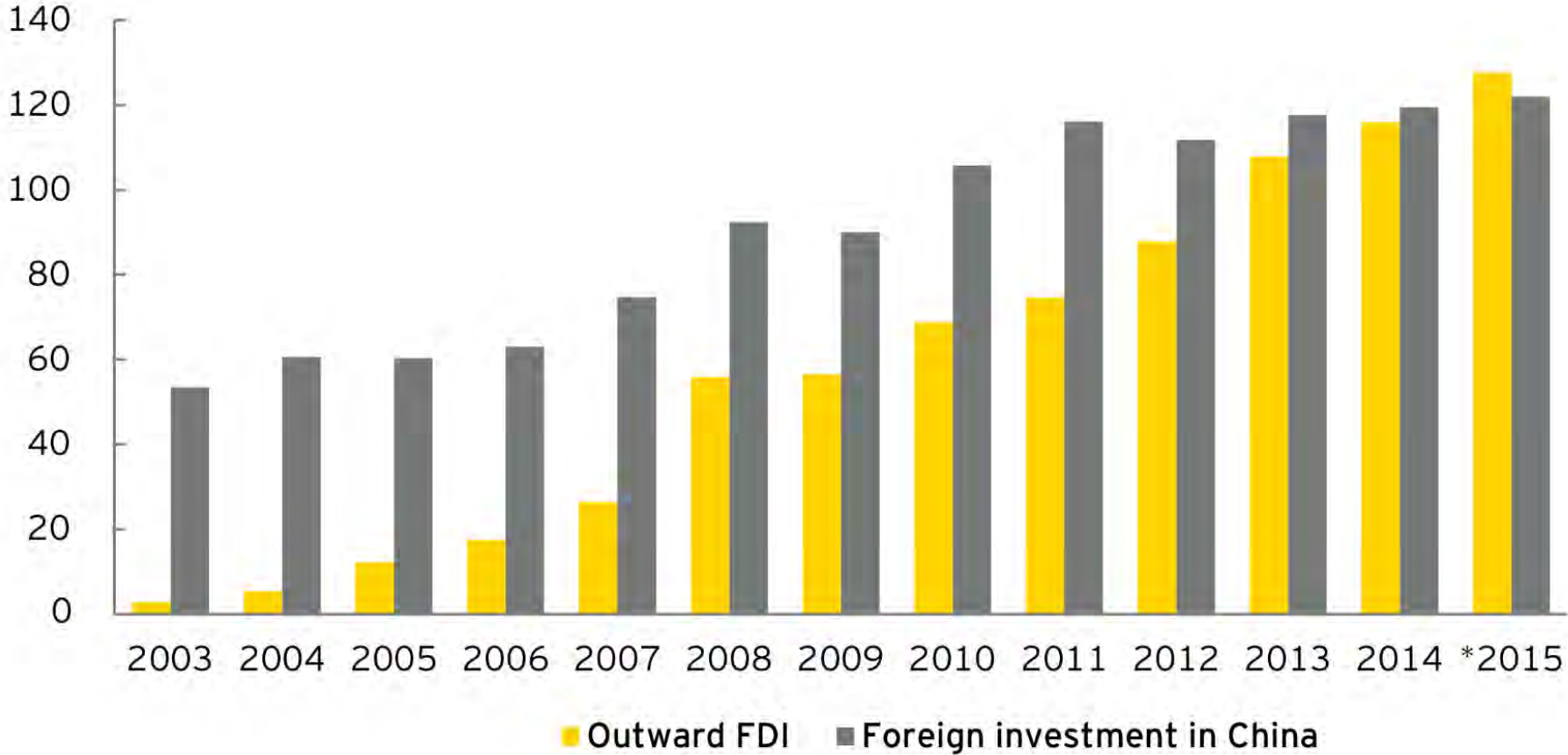
Outward FDI Stock in 2015 year end:
US\$1,097.9 billion (+24.4%)

* Including negative investment figures as a result of certain cancelled investment.

Source: *Statistical Bulletin on China's Outward Foreign Direct Investment 2015*

<http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/China-Takes-Global-Number-Two-Outward-FDI-Slot-Hong-Kong-Remains-the-Preferred-Service-Platform/rp/en/1/1X000000/1X0A804W.htm>

Inbound and Outbound Foreign Direct Investment in China, 2003-2015 (USD billion)

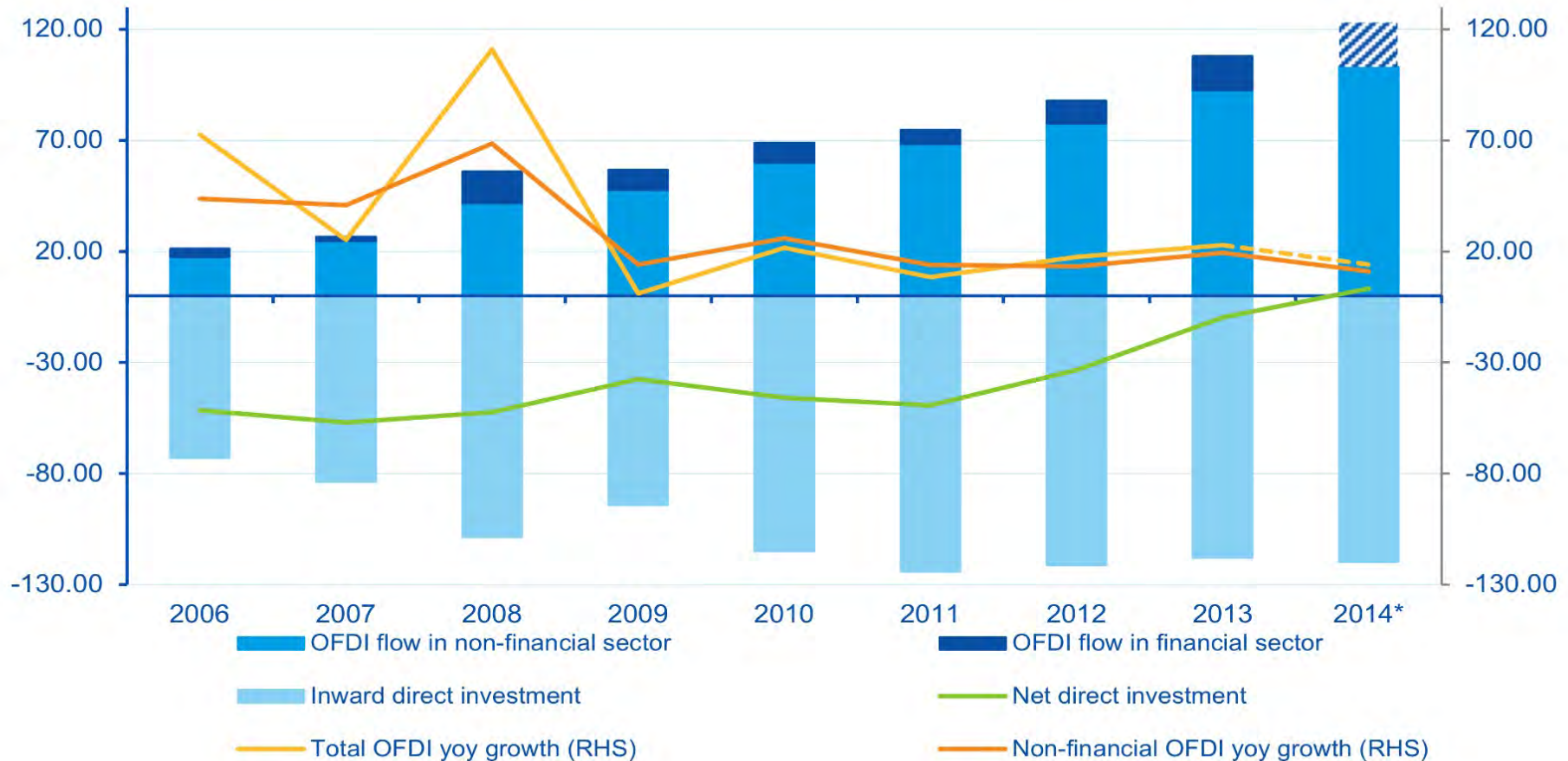


Source: National Bureau of Statistics of China, Ministry of Commerce.

Financial investment is not included in the data for 2006 or before; the data for 2015 is predicted by EY Knowledge.

China as a Net Creditor to the World

China may have already become a net creditor in 2014 based on monthly aggregates published by MOFCOM

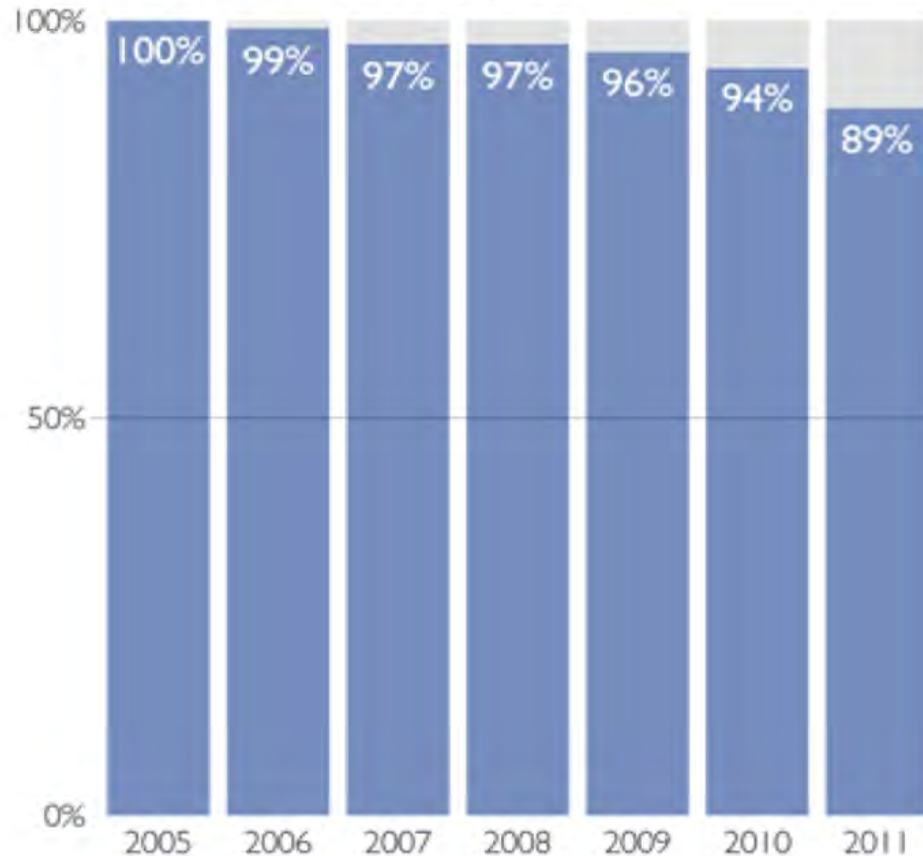


Source: MOFCOM and BBVA Research; *OFDI flows in financial sector for 2014 based on BBVA projections

Diagram source: Alicia Garcia-Herrero et al., *China outbound foreign direct investment: How much goes where after round-tripping and offshoring*, BBVA Working Paper, June 2015.

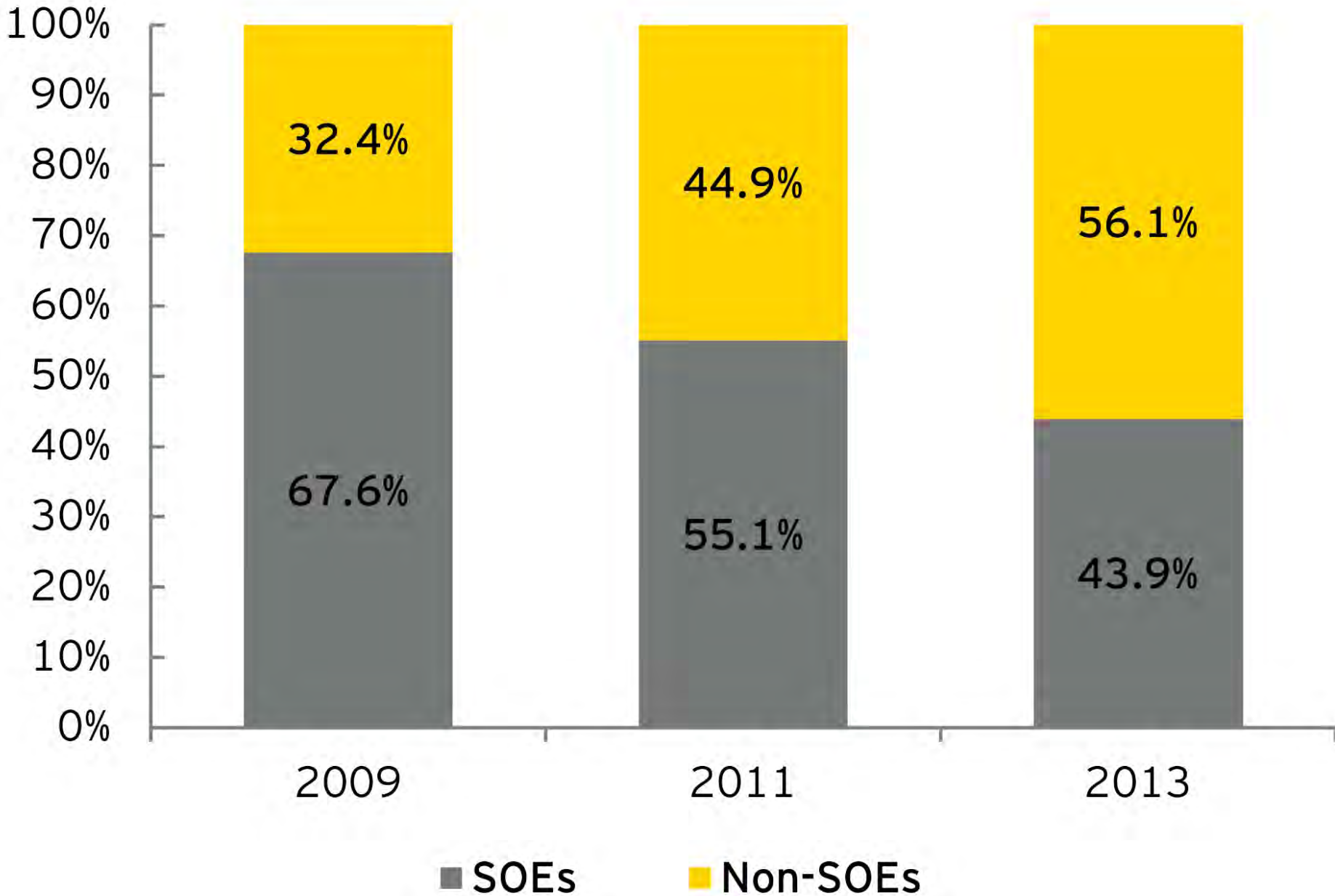
Slow Transition Away from SOEs

Share of Large Investments by
China's State-Owned Enterprises



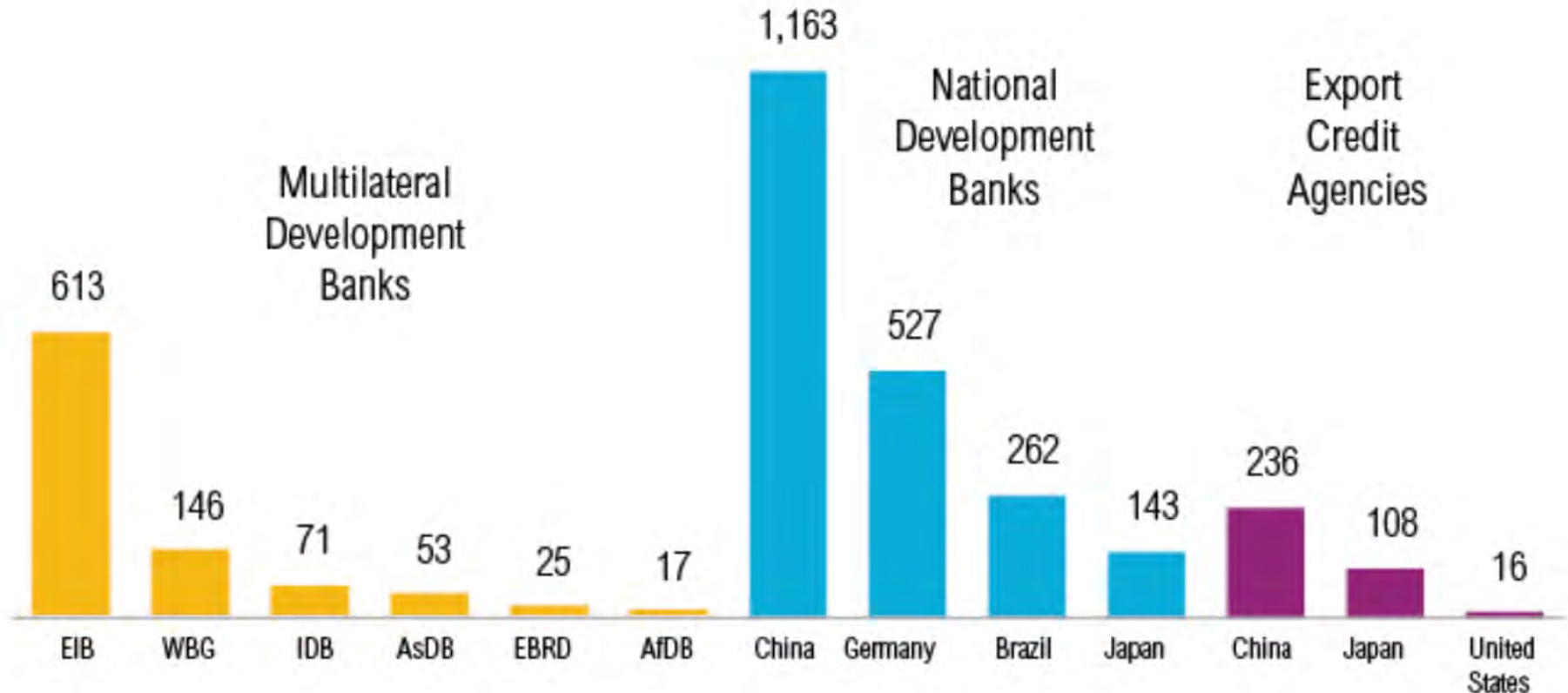
Source: The Heritage Foundation, China Global Investment Tracker dataset, July 2011, at https://thf_media.s3.amazonaws.com/2011/xls/China-Global-Investment-Tracker2011.xls.

Rising Importance of Private Enterprises in China's FDI



China Goes Global: Bank Lending

Outstanding Loans of MDBs, NDBs, and ECAs, 2013 (US\$ billion)

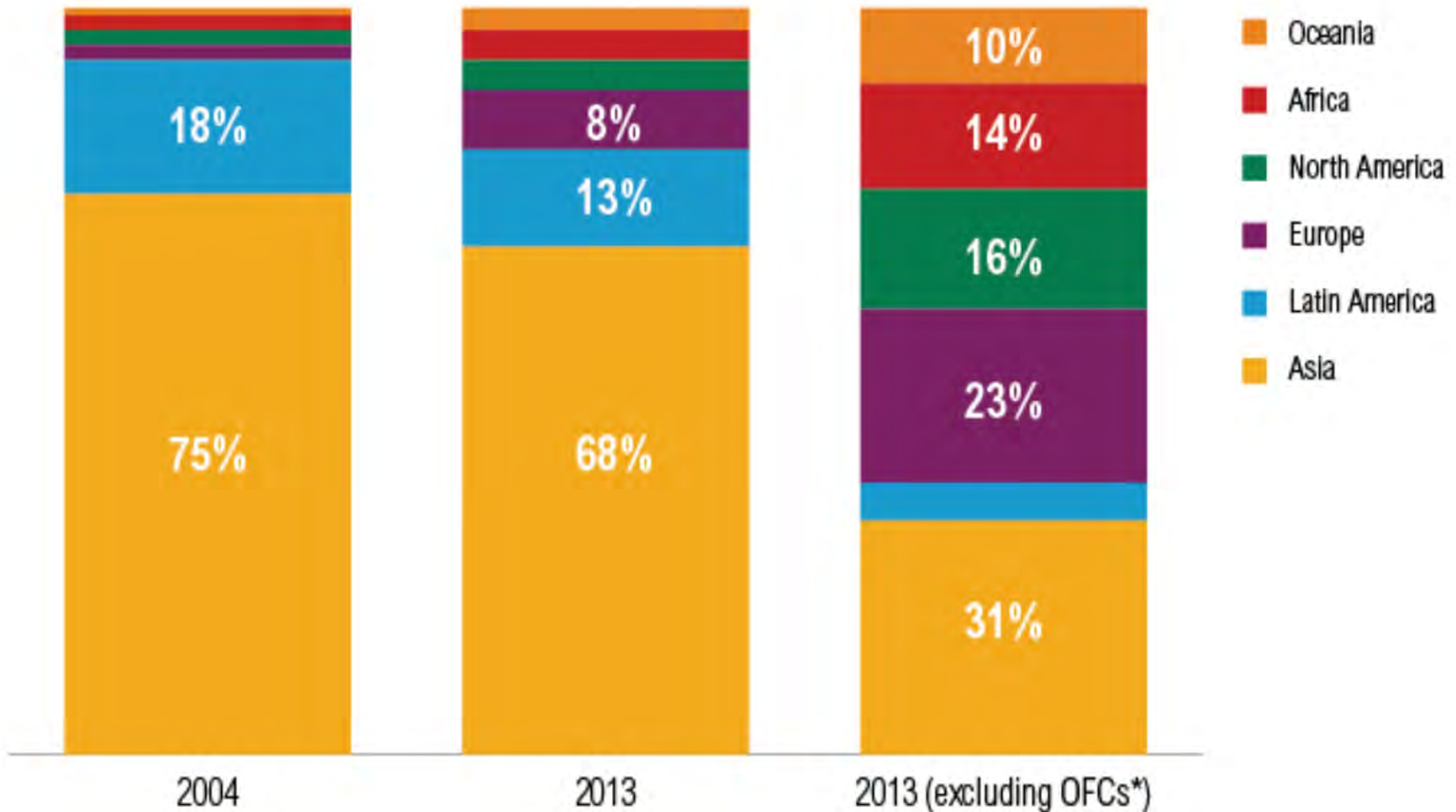


Note: *EIB* = European Investment Bank. *WBG* = World Bank Group. *IDB* = Inter-American Development Bank. *EBRD* = European Bank for Reconstruction and Development. *AfDB* = African Development Bank.

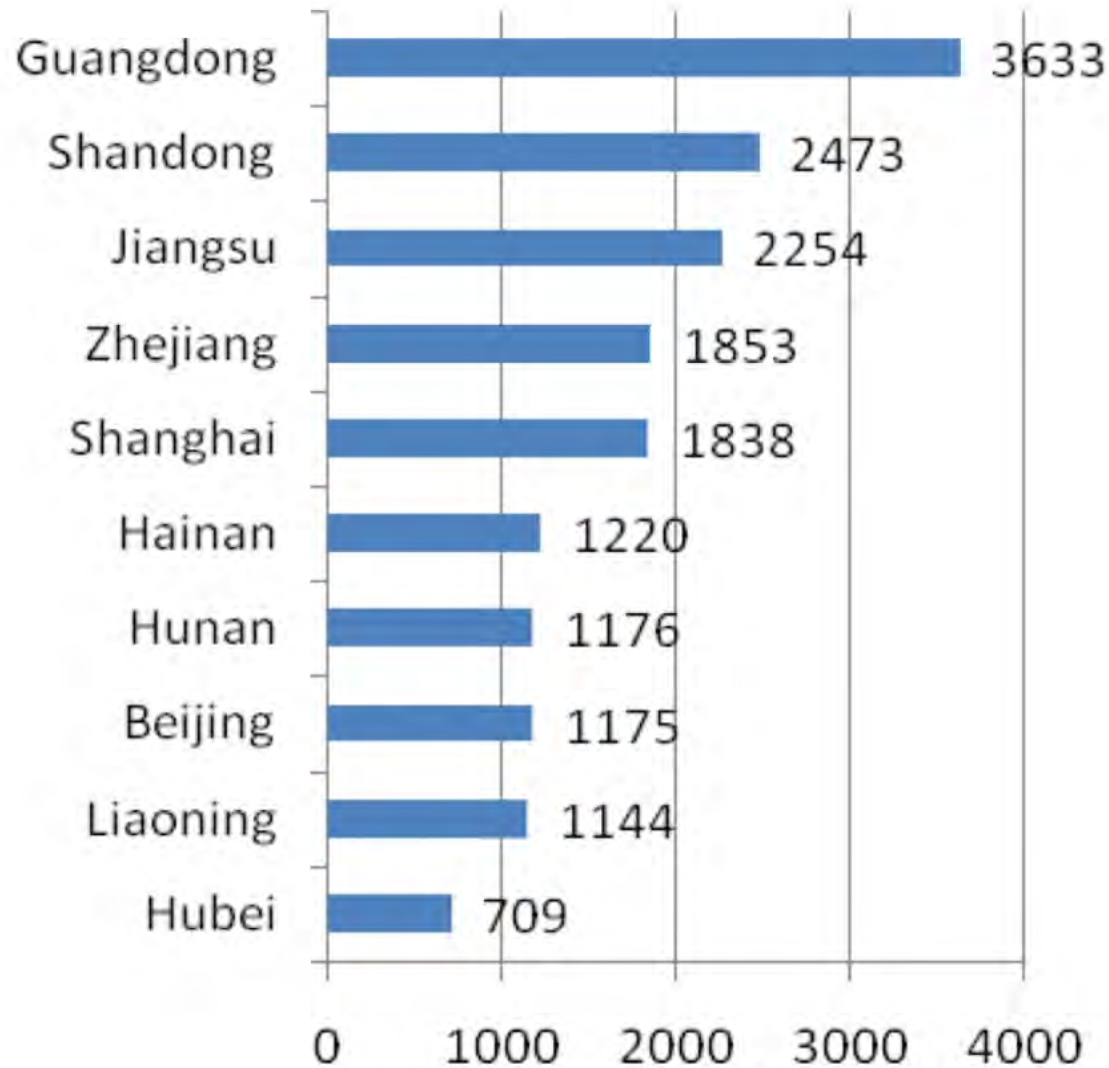
AsDB = Asian Development Bank. *EBRD* = European Bank

Geographical Distribution of China's OFDI Stock, 2004 and 2013

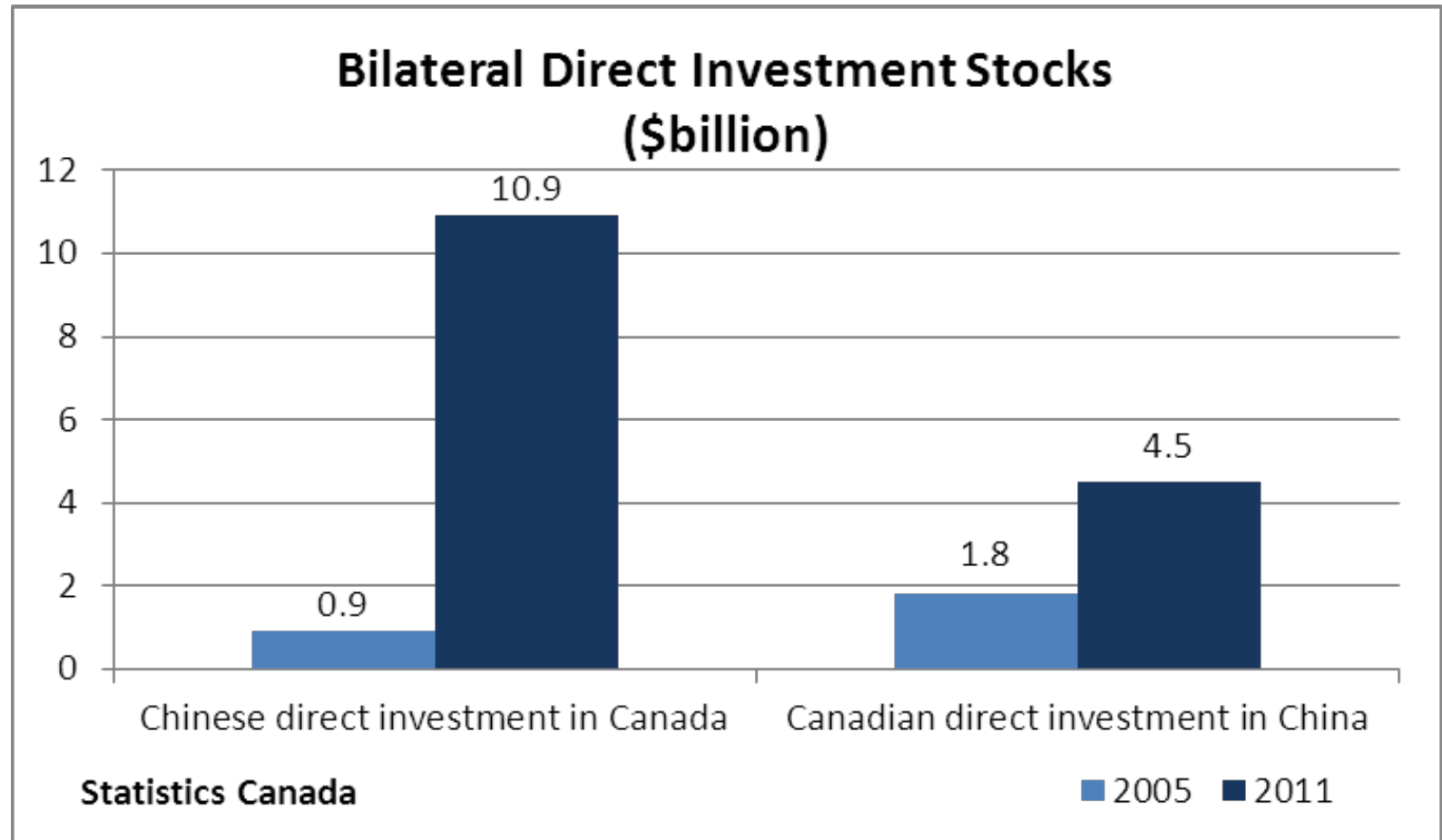
STOCK Of FDI: Result of FDI flows over time



TOP 10 non-financial ODI outflow provinces in 2011 (\$ mln)

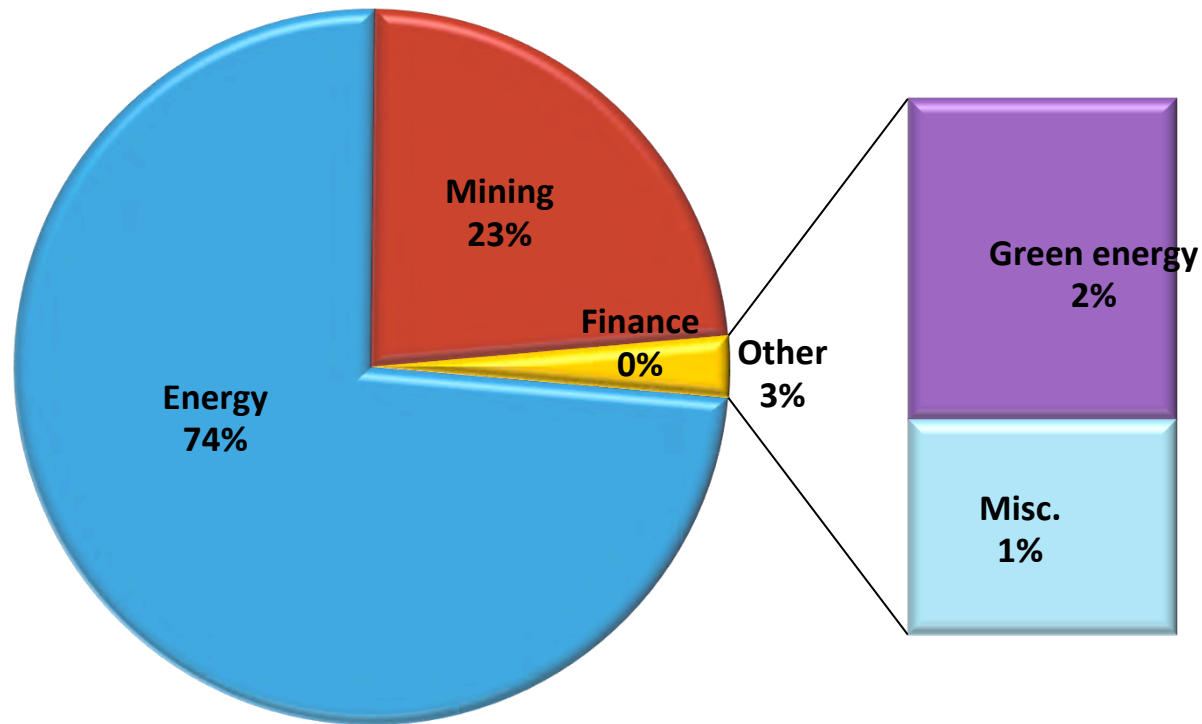


China - Canada Bilateral Direct Investment



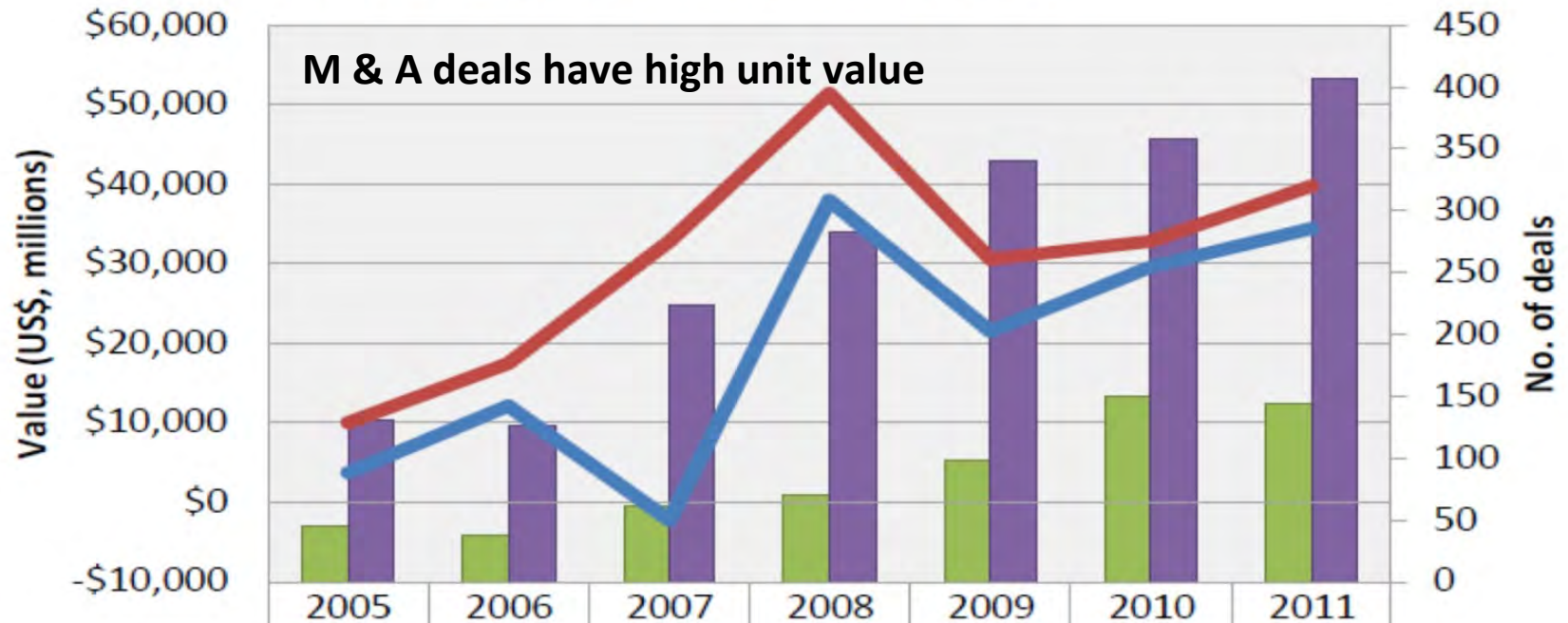
Sectoral distribution of Chinese investment in Canada

**Distribution of Chinese FDI by Sector
(2005-2012)**



What has China Invested in?

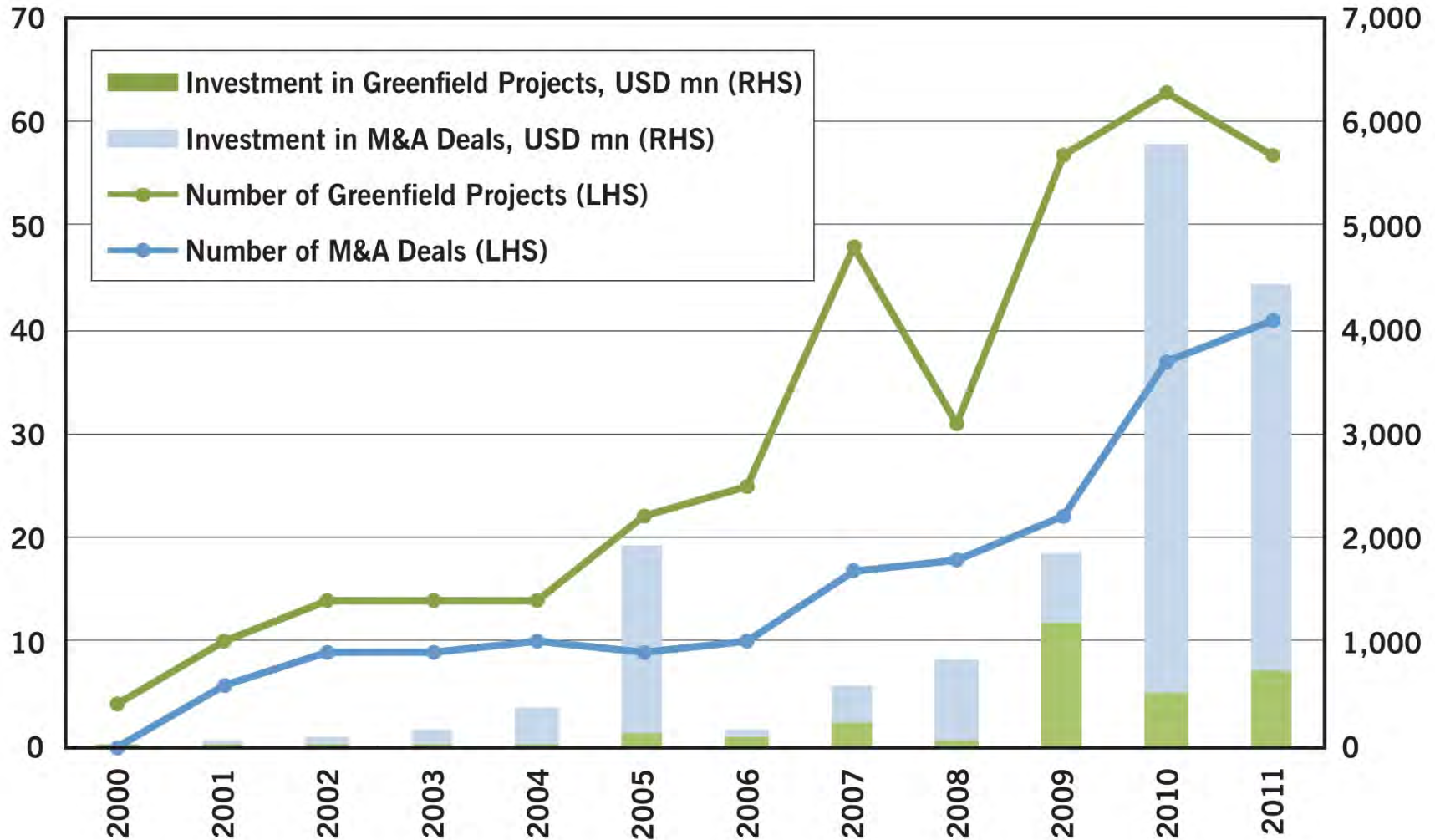
M&A vs. Greenfield ODI



	2005	2006	2007	2008	2009	2010	2011
M&A deals	45	38	61	69	97	150	143
Greenfield investments	131	127	223	282	340	357	407
M&A value	3653	12090	-2282	37941	21490	29578	34355
Greenfield value	10009	17490	32765	51477	30512	32880	39718

UNCTAD, 2012, *World Investment Report 2012*

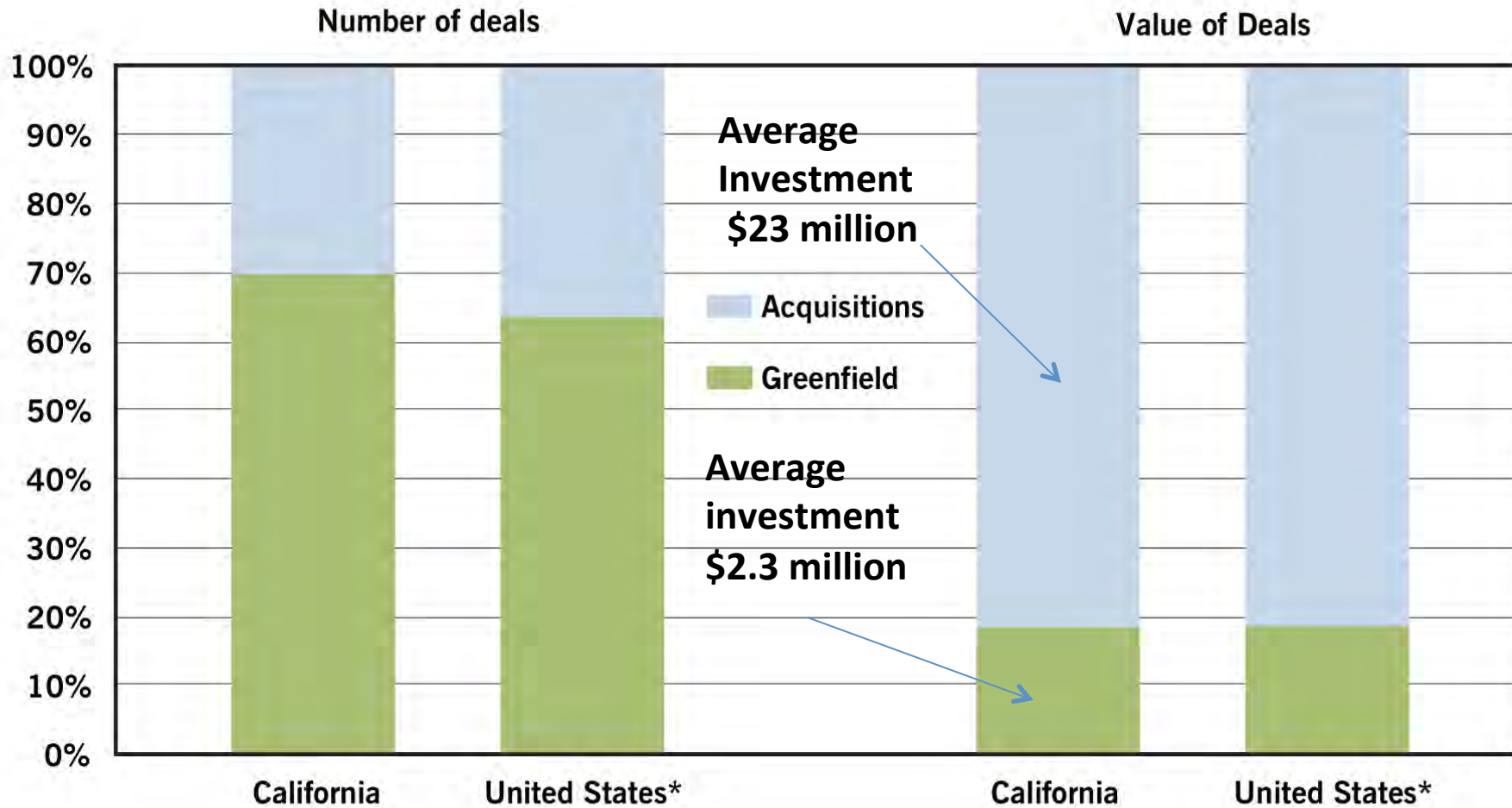
Chinese FDI in the US, 2000-2011 (Millions of US\$ & number of Deals)



Source: Rhodium Group. For sources and methodology, see appendix and <http://rhgroup.net/interactive/china-investment-monitor>.

Source: Daniel Rosen & Thilo Hanwmann, *China Direct Investment in California*, Asia Society, 2012, p.18

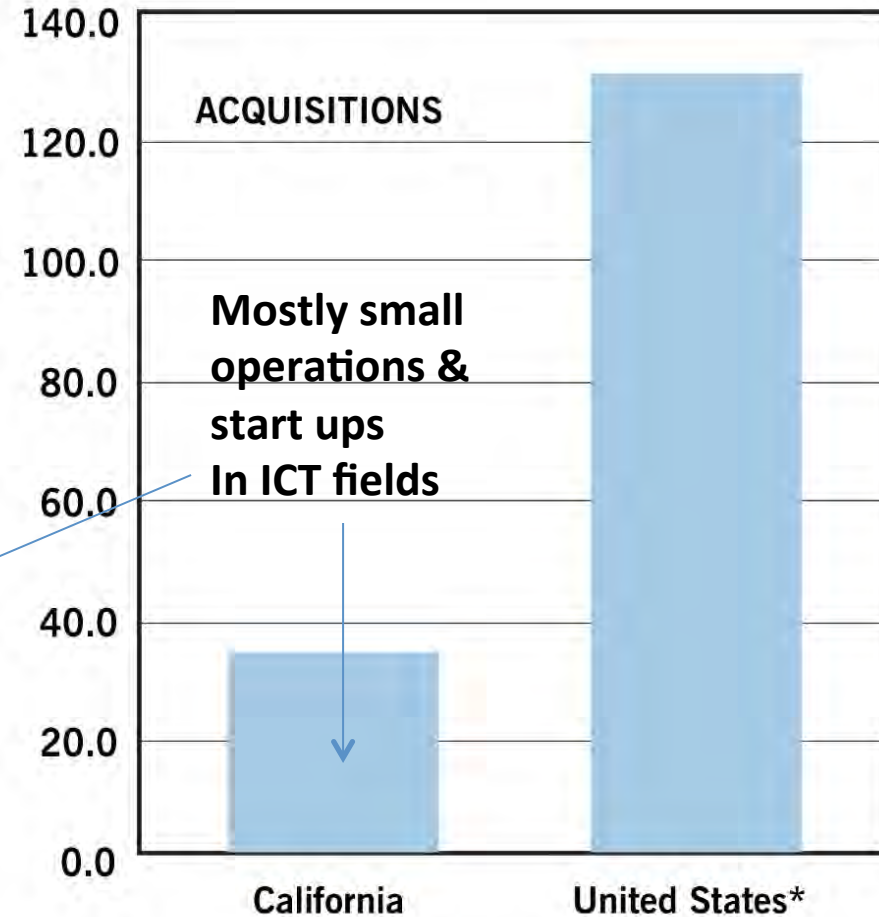
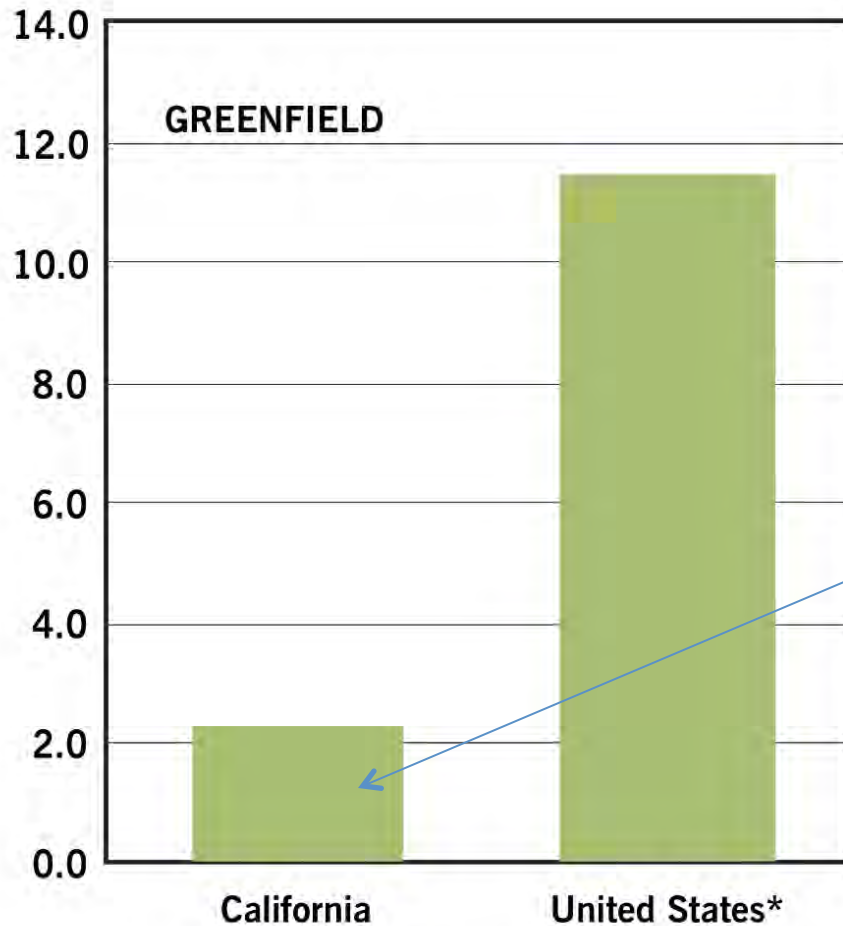
Chinese FDI by Entry Mode, California Vs. US, 2000-1011



Source: Rhodium Group. For sources and methodology, see appendix and <http://rhgroup.net/interactive/china-investment-monitor>.

* Excluding California.

Average Size of Chinese Investments , California Vs. US , 2000 - 2011



Source: Rhodium Group. For sources and methodology, see appendix and <http://rhgroup.net/interactive/china-investment-monitor>.

* Excluding California.

** Transactions with missing values were omitted for calculations.

17-01-12

Source: Daniel Rosen & Thilo Hanwmann, *China Direct Investment in California*, Asia Society, 2012, p.45

Chinese FDI in the US by Firm Ownership, 2000- 2011

NUMBER OF DEALS

	Greenfield Projects		Acquisitions		Total	% Share	Greenfield Projects		Acquisitions		Total	% Share
	Greenfield Projects	% Share	Acquisitions	% Share	Total	% Share	Greenfield Projects	% Share	Acquisitions	% Share	Total	% Share
Government Controlled	80	32%	30	21%	110	28%	26	24%	5	11%	31	20%
Private and Public*	170	68%	111	79%	280	72%	83	76%	42	89%	125	80%
	Rest of the United States						California					

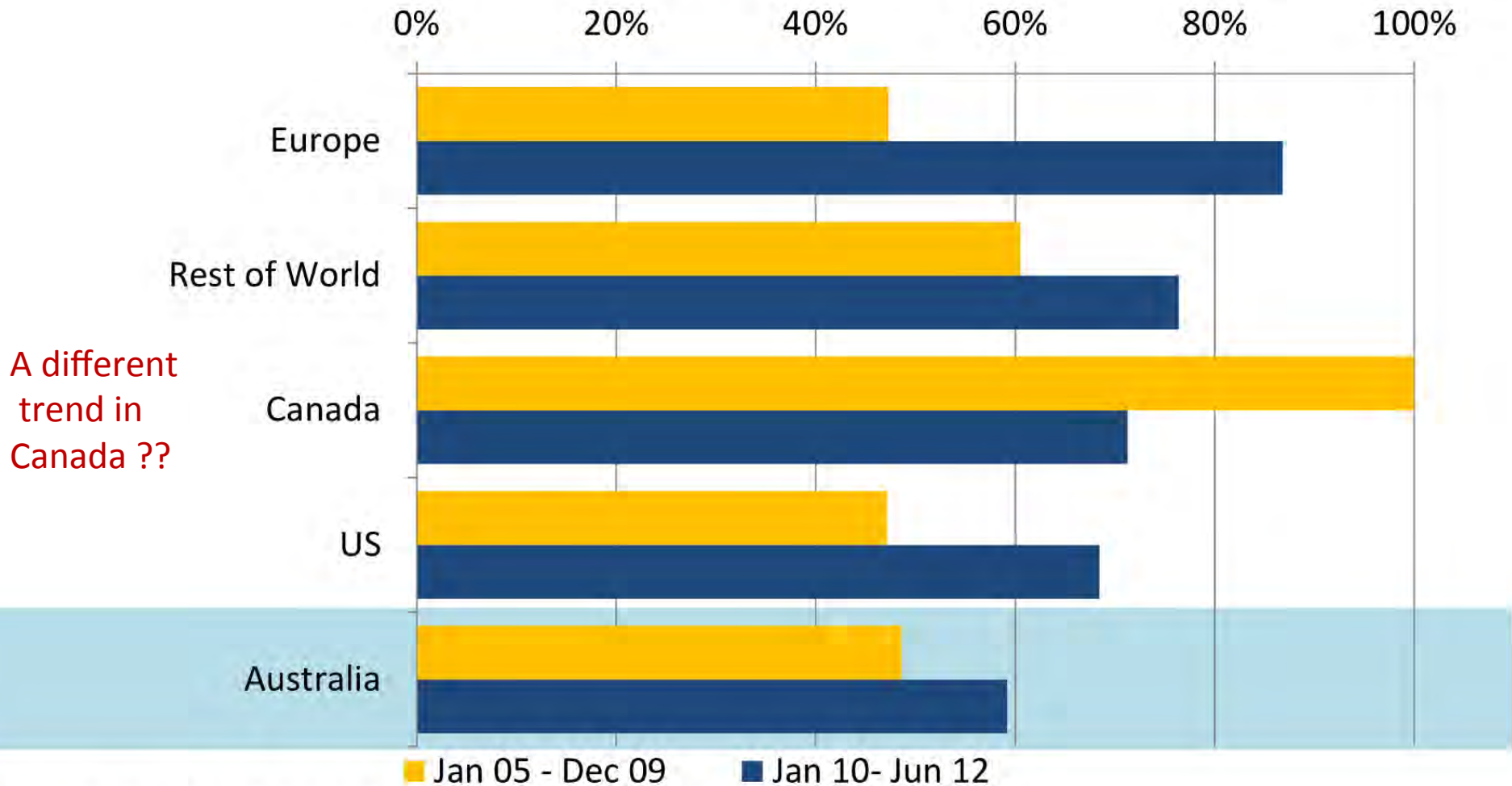
TOTAL INVESTMENT (MILLIONS OF U.S. DOLLARS)

	Greenfield Projects		Acquisitions		Total	% Share	Greenfield Projects		Acquisitions		Total	% Share
	Greenfield Projects	% Share	Acquisitions	% Share	Total	% Share	Greenfield Projects	% Share	Acquisitions	% Share	Total	% Share
Government Controlled	1,837	64%	7,978	66%	9,816	65%	84	34%	38	4%	123	9%
Private and Public*	1,032	36%	4,174	34%	5,206	35%	163	66%	1,042	96%	1,206	91%
	Rest of the United States						California					

Source: Rhodium Group.

* Private and public might include listed firms with minority stakes by government-owned firms or related entities (less than 20% as of July 2012).

China's Overseas FDI Transaction Success Rate



A different trend in Canada ??

Source: Heritage Foundation, authors' analysis.

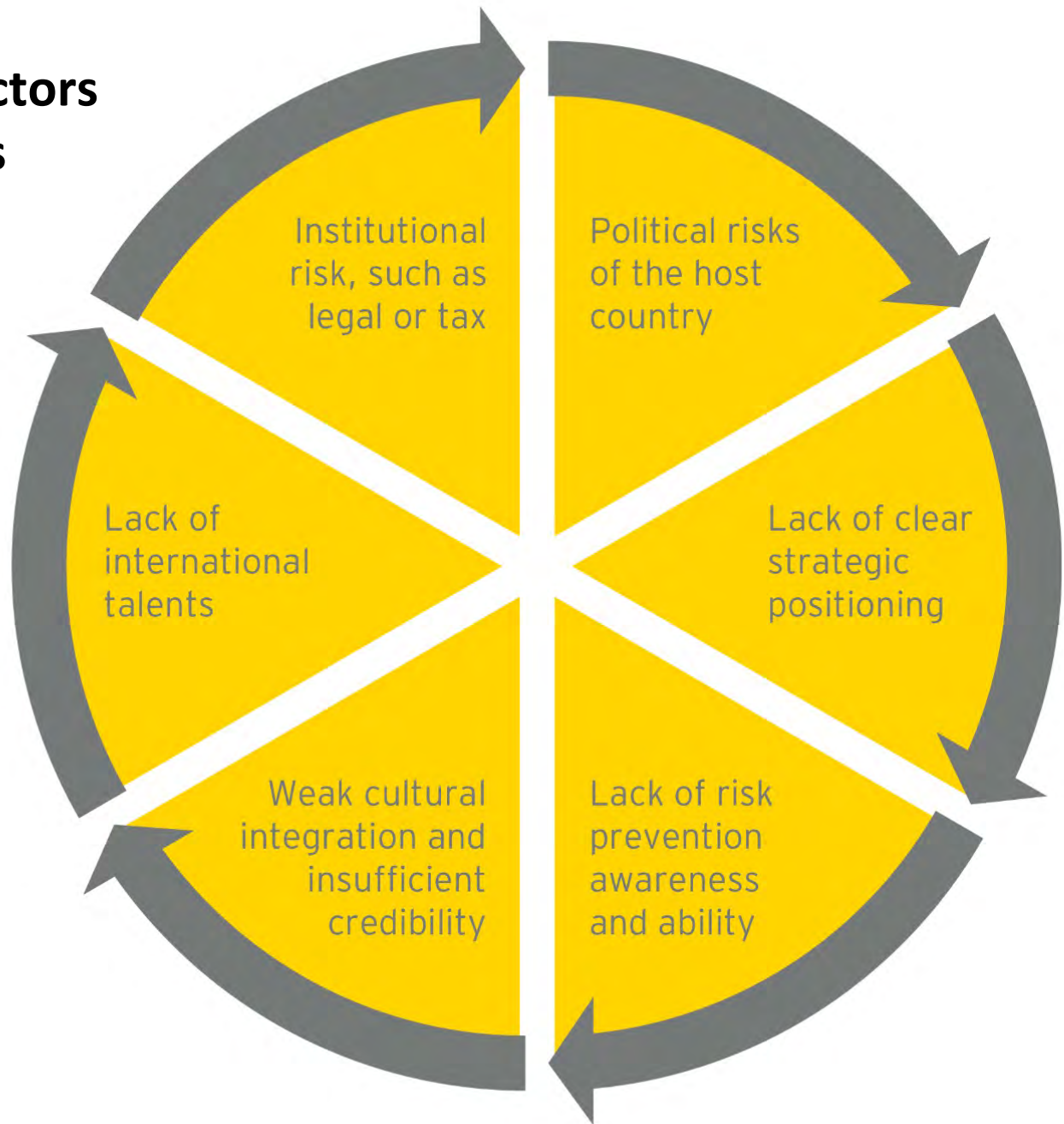
Returns of Chinese FDI : Australia as a Case Study

Average % of 3 year return on OFDI from selected countries



Source: ABS, Catalogue 5352. Implied returns are calculated as debit income flows as a proportion of the FDI stock at the end of the prior year.

Main Risk Factors & Challenges in China's FDI Flows



External Challenges Faced by Asian Countries in International Expansion

Lack of understanding of overseas markets and customer segments, and their preferences

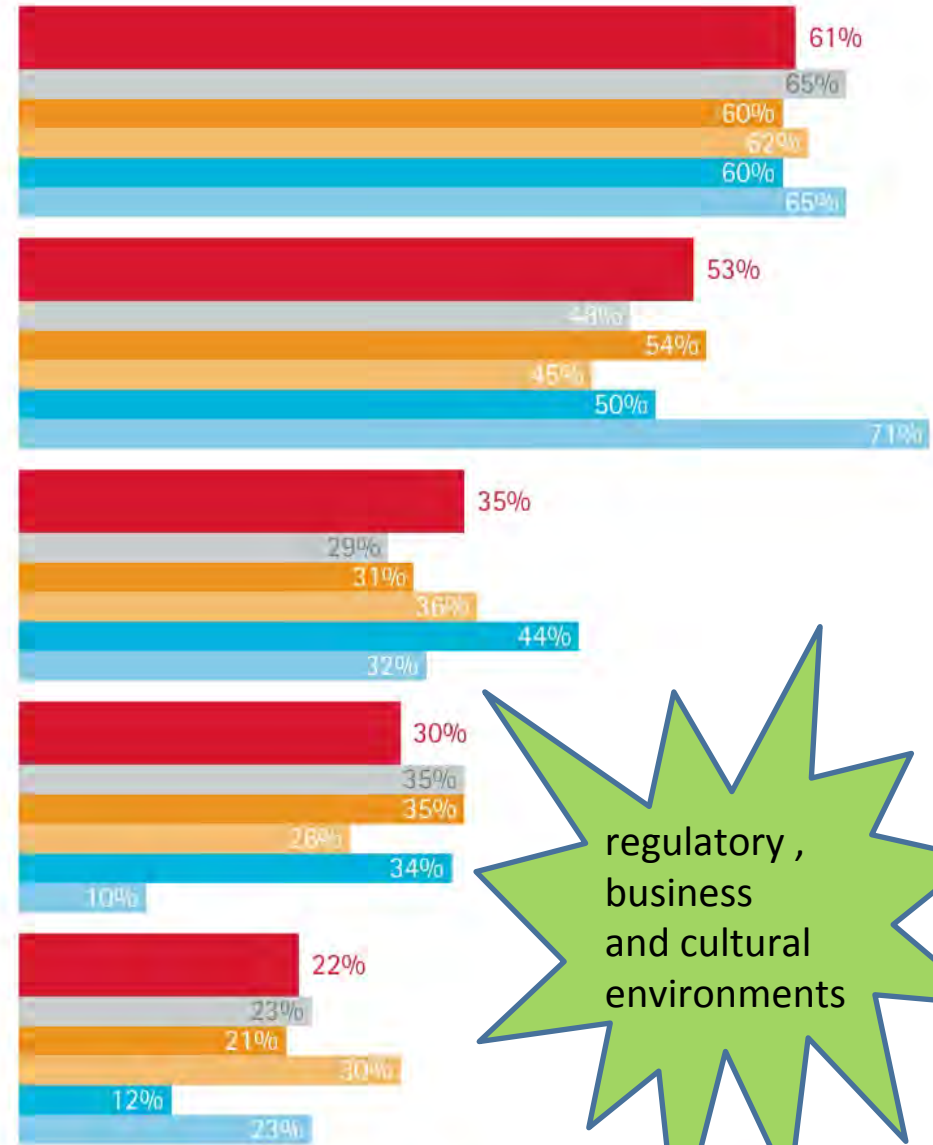
Inability to navigate complexities associated with operating in overseas markets, including government regulations, and local policies and procedures

Weak brand or reputation in overseas markets

Strong market position of our global competitors

Inability to build trust with local stakeholders

Key concerns for China FDI Overseas

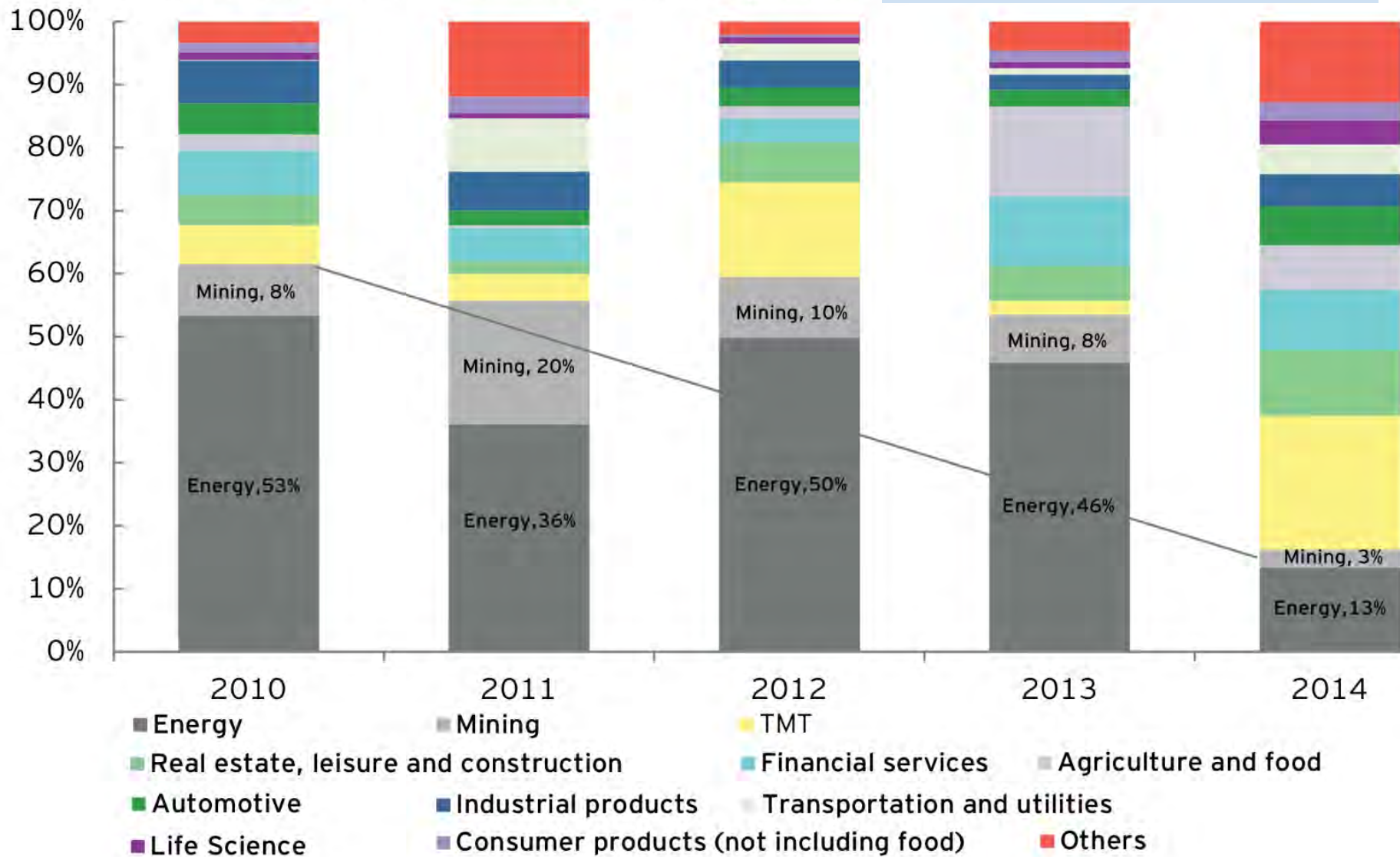


■ All respondents
 ■ ASEAN
 ■ Greater China
 ■ India
 ■ Japan
 ■ South Korea

Trend toward Diversification

Share of China's outward M&A deal value (by sector)

From Energy to Diversification

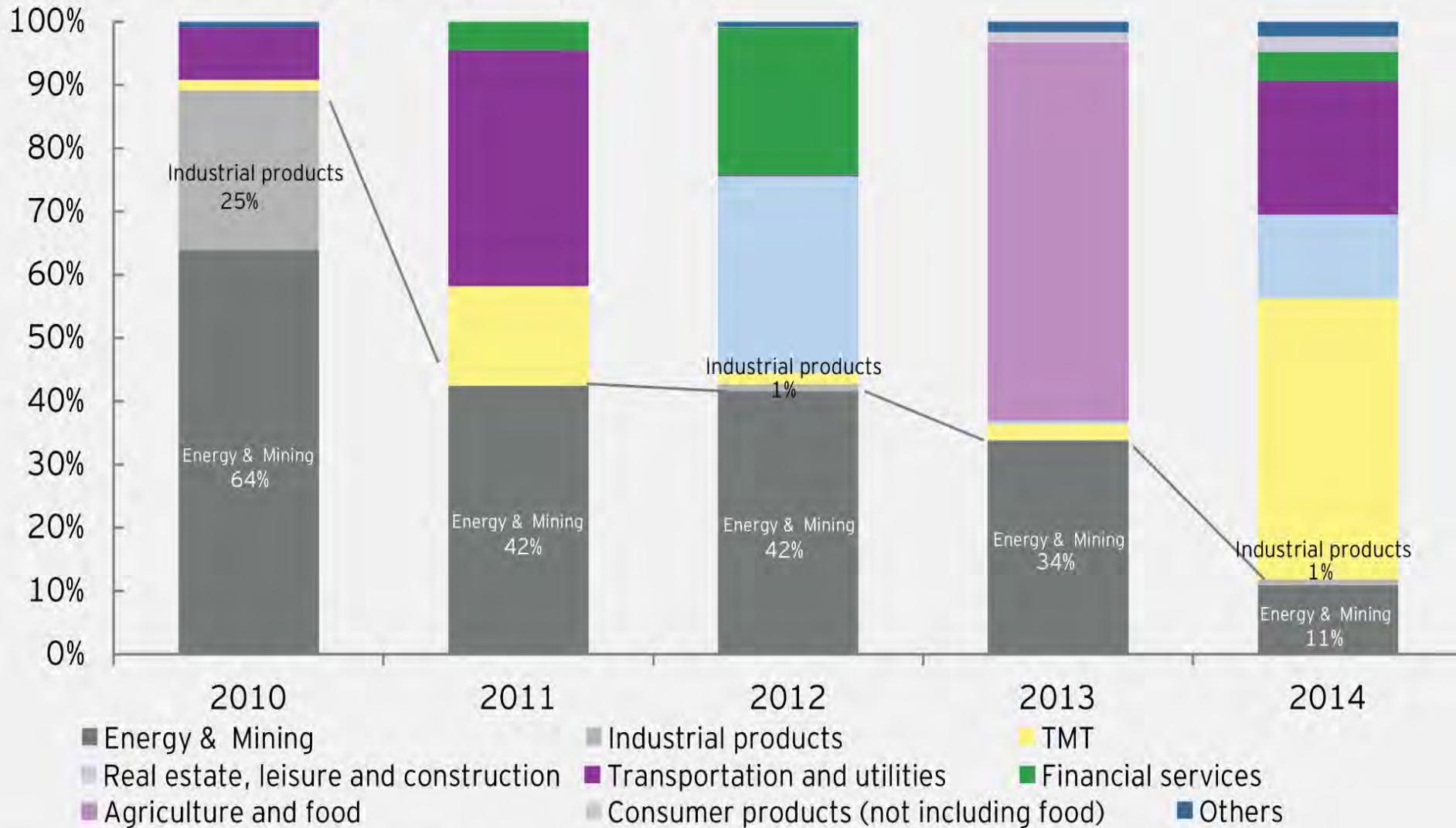


Source: MergerMarket, EY Knowledge analysis

Diagram source: EY, *Riding the silk road: China sees outbound investment boom*, March 2015, p.6

Trend toward Diversification: The Case of China's FDI in the US

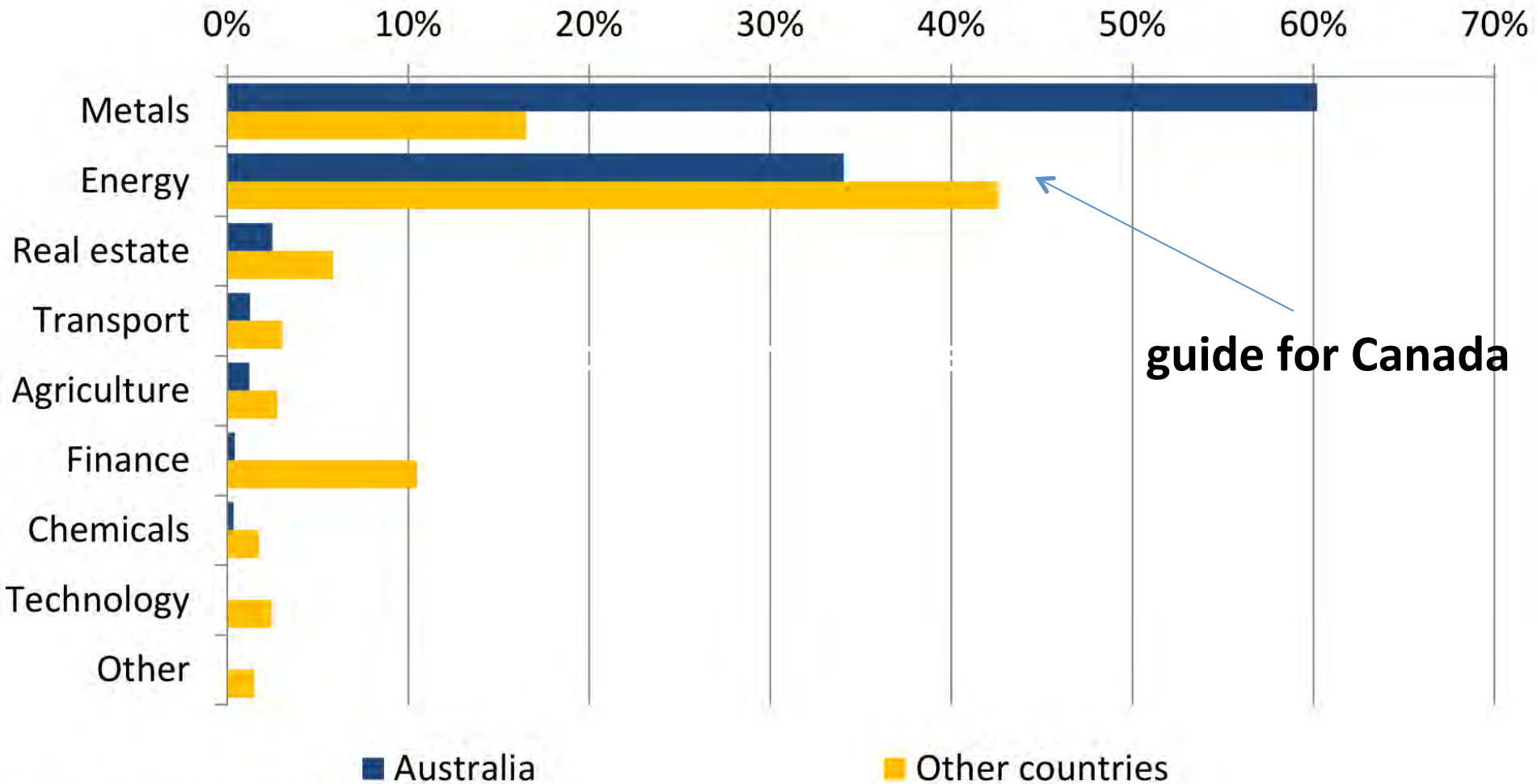
Share of China's outward M&A deal value (by sector)



Source: MergerMarket, EY Knowledge analysis

Diagram source: EY, *Riding the silk road: China sees outbound investment boom*, March 2015, p.14

Chinese Overseas FDI in Australia and Other Countries by Sector Jan 2005 -2012, For Investment over US\$US

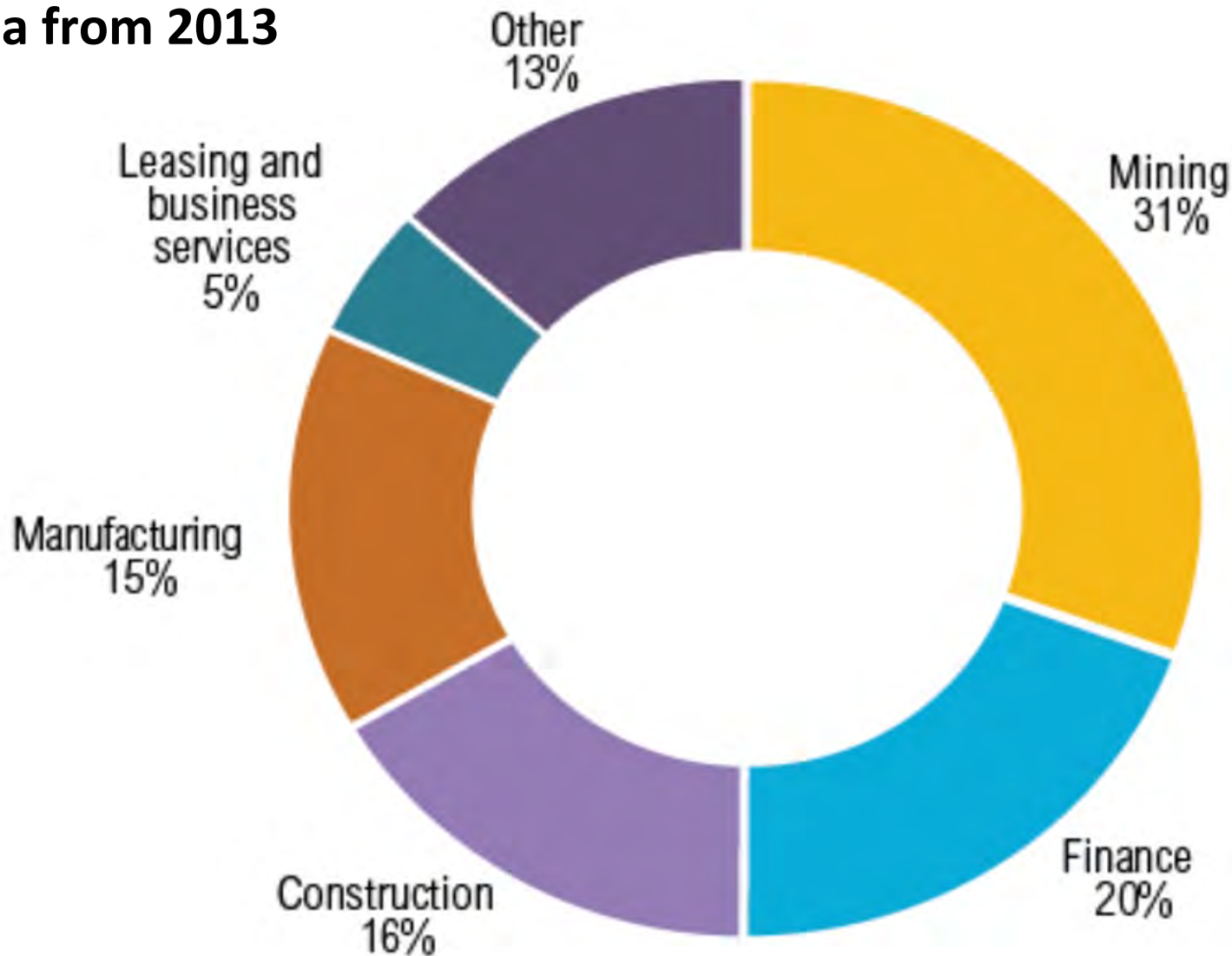


Source: Heritage Foundation, authors' analysis.

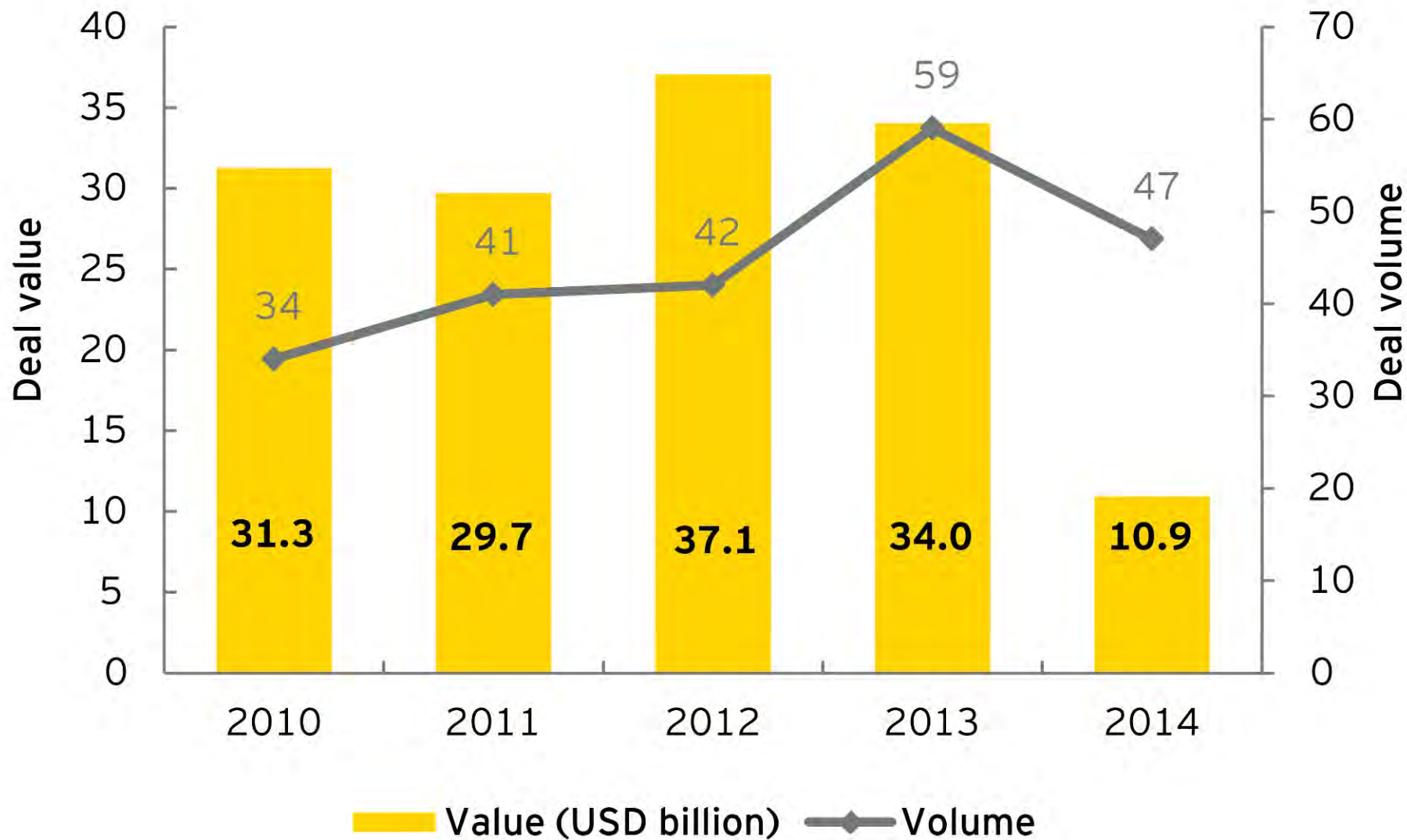
Source: John Larum & Jingmin Qian, A Long March: The Australi-China Investment Relationship, Australia China Business Council, Oct2012, p.9

Industry Distribution of China's OFDI in Africa

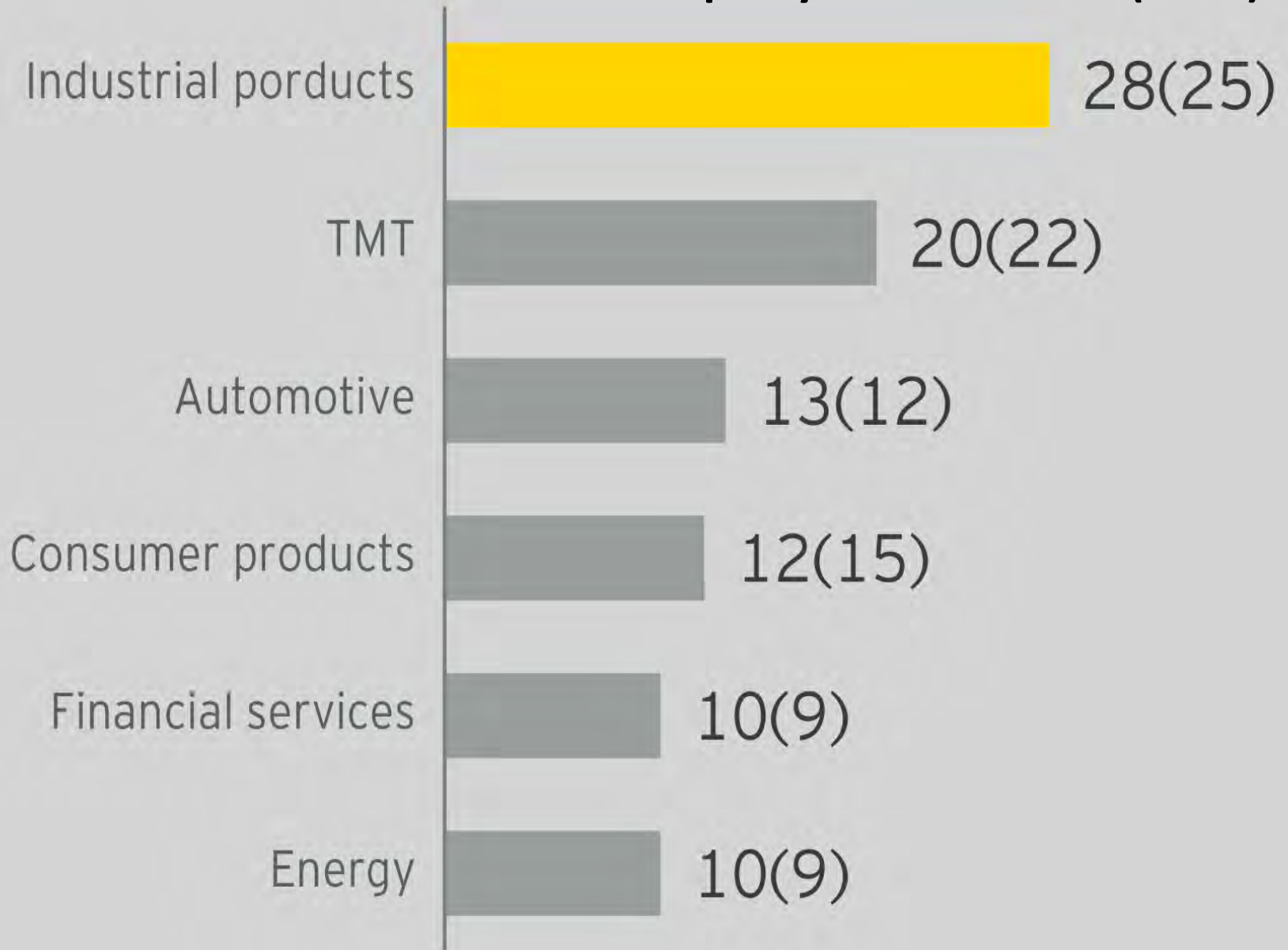
Data from 2013



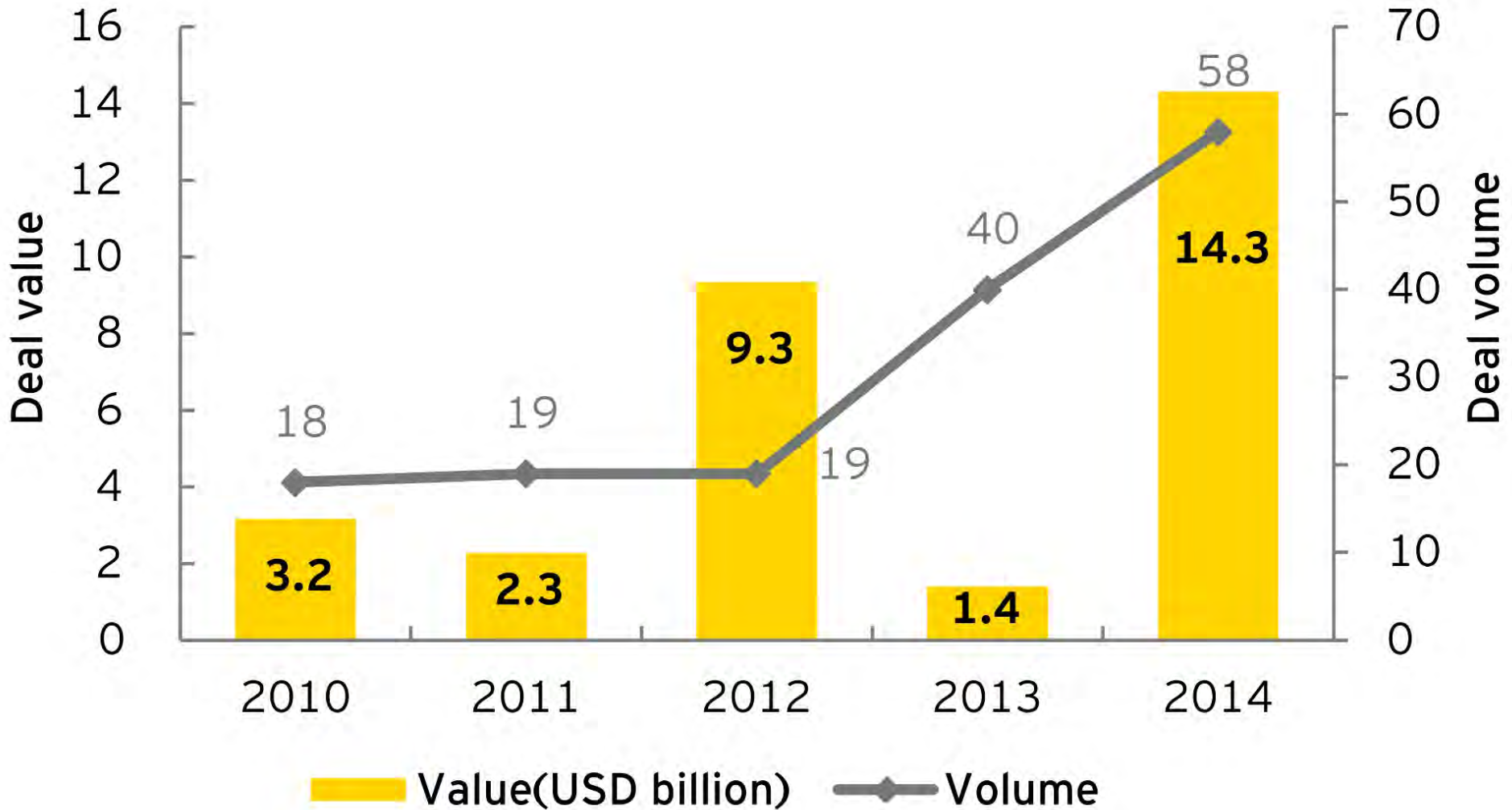
China's Foreign M & A Deals: Energy and Mining



Number of Chinese M & A in Europe by Sector in 2014(2013)



China's Foreign M & A Deals: Technologies, Media & Telecommunications



China's Foreign M & A Deals: Real Estate, Hospitality and Construction

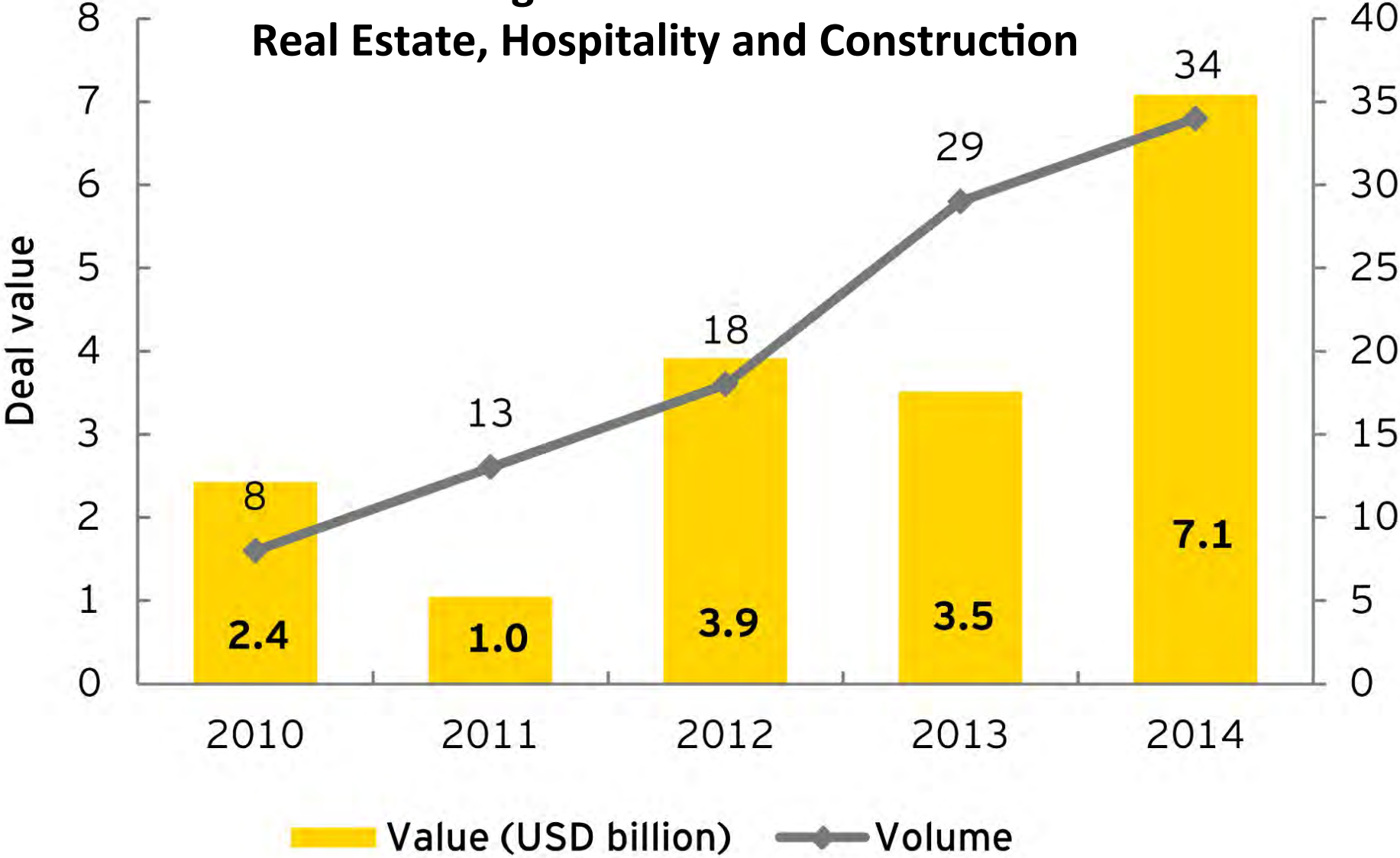
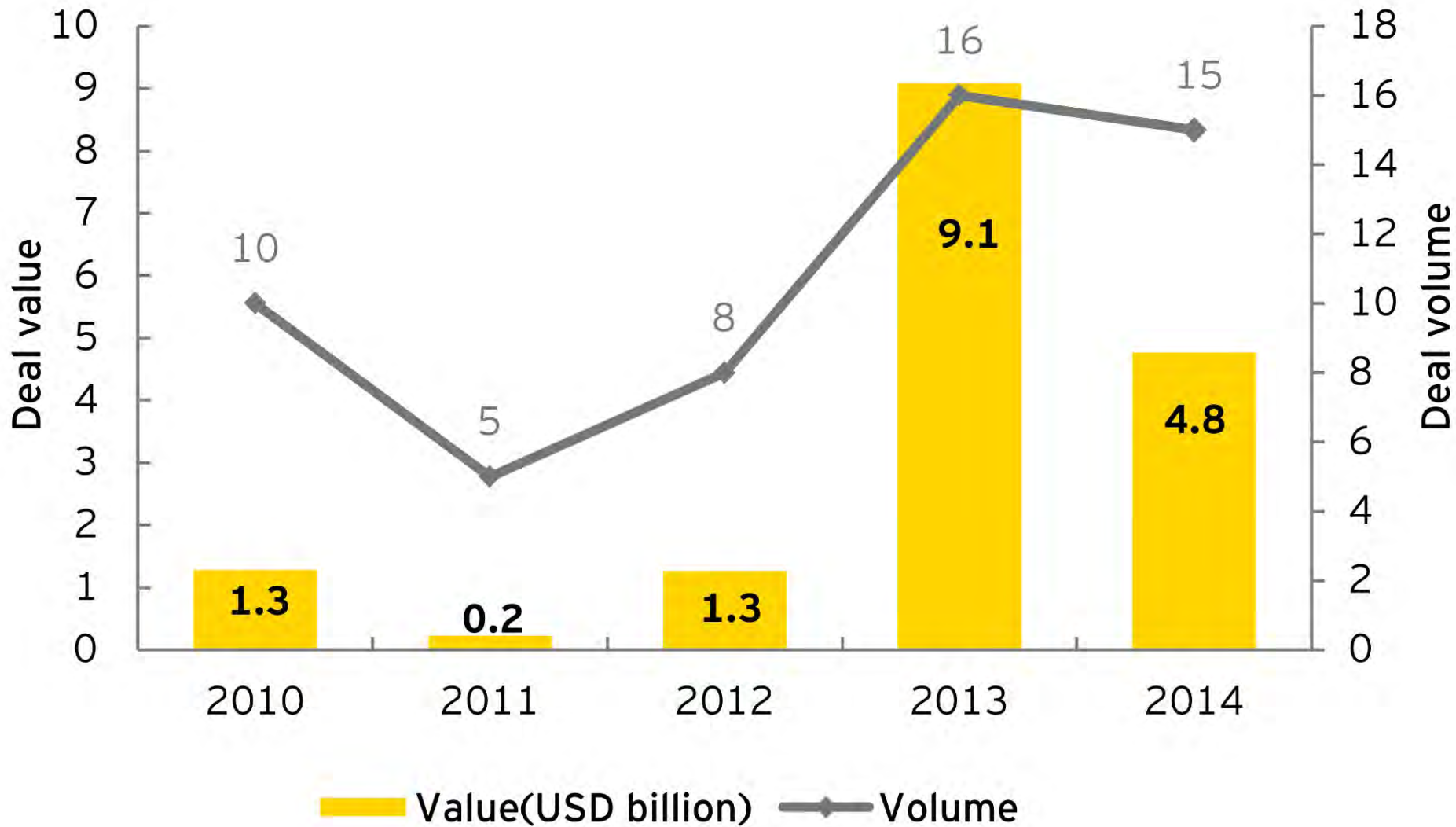


Diagram source: EY, *Riding the silk road: China sees outbound investment boom*, March 2015, p.11

China's Overseas M & A Deals: Agriculture and Food



One Belt One Road: Investment Opportunities

