

# Foreign Direct Investment in China: Trends and Developments

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## Introduction to FDI (Key Terms):

- Inward FDI Stock as a percentage of GDP
- FDI Employment
- Sectoral Distribution
- FTZ's / SEZ's

## FDI Definition

- FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor, which allows investors to gain an effective voice in the management.
- A threshold of **10 %** of equity ownership qualifies an investor as a foreign direct investor having an effective voice in the management of an enterprise

## Abstract

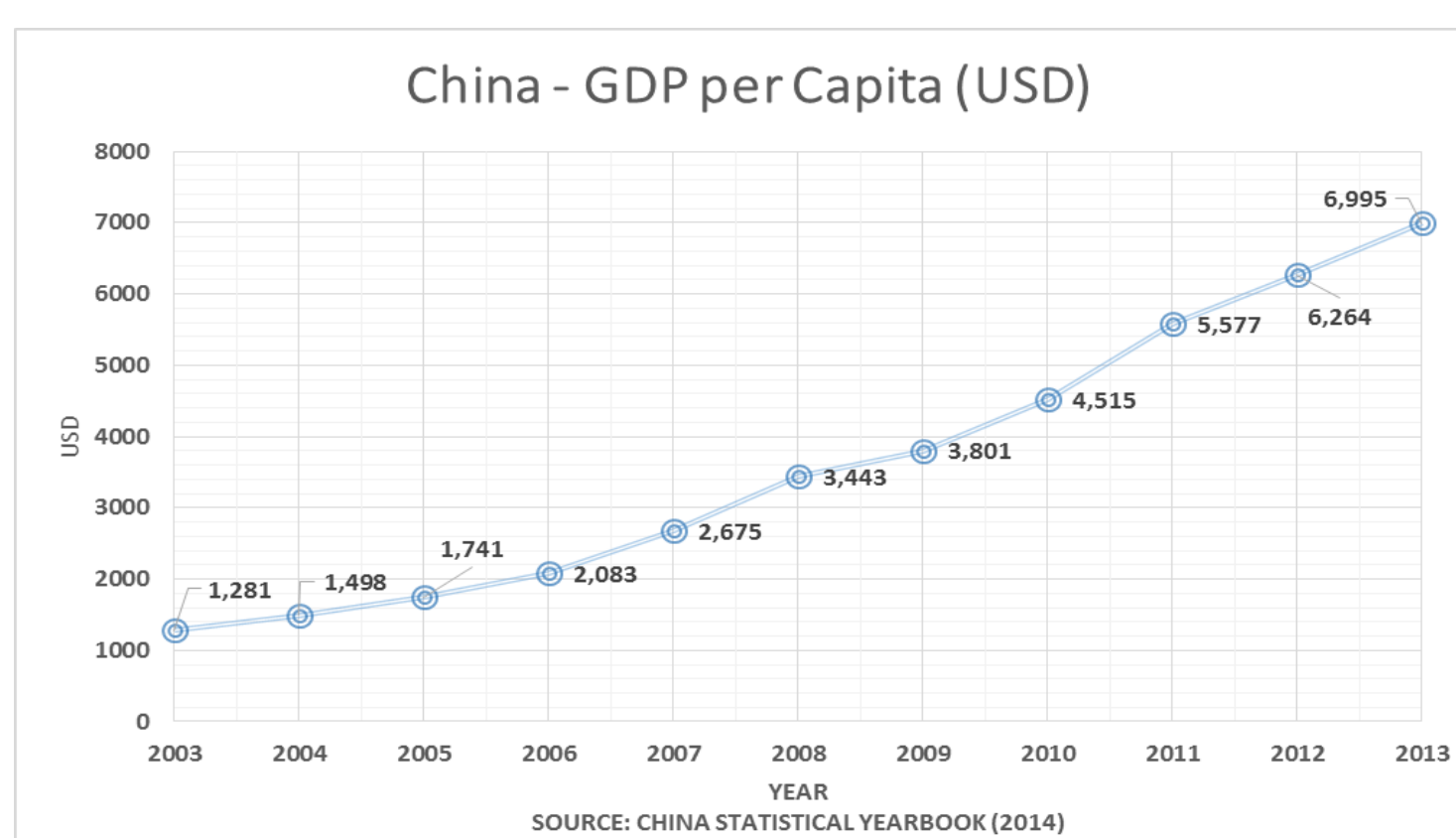
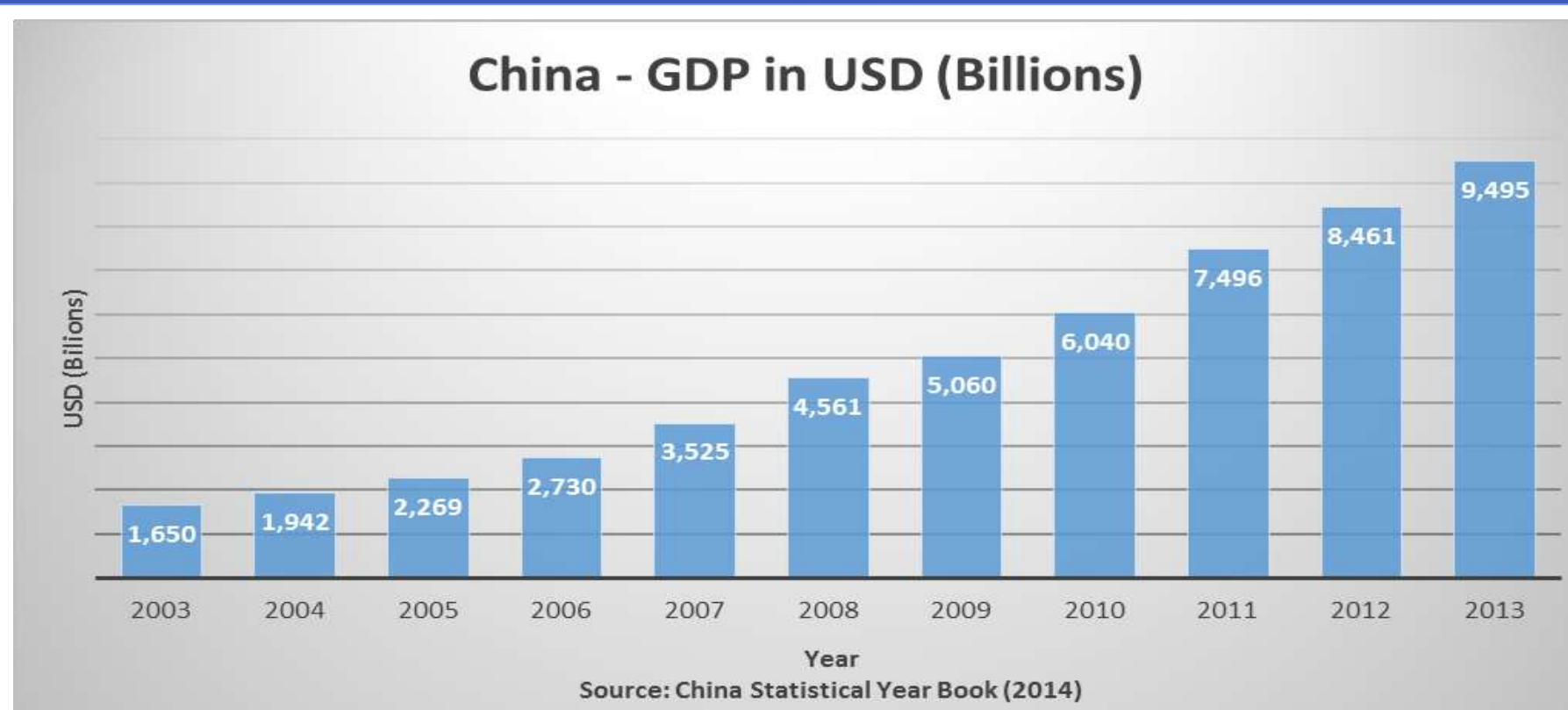
- Foreign direct investment (FDI) is a key element in international economic globalization and integration. FDI encourages the transfer of technology and knowledge between countries which allows the host economy to promote its products more widely in international markets. FDI is an important factor to consider when studying the effects on an economy of a country. The focus of this research will be specifically on Inward FDI in China. Research will analyze its effects on China's economy from 2003-2014 and seek to find correlations between Current GDP and FDI Stock. Investigation into the Sectorial breakdown of Inward FDI along with Regional inflows towards Special Economic Zones (SEZ's) and Free Trade Zones (FTZ's) will be explored. Employment, Greenfield Investments, Mergers and acquisitions (M&A's) will be examined.

## Methodology

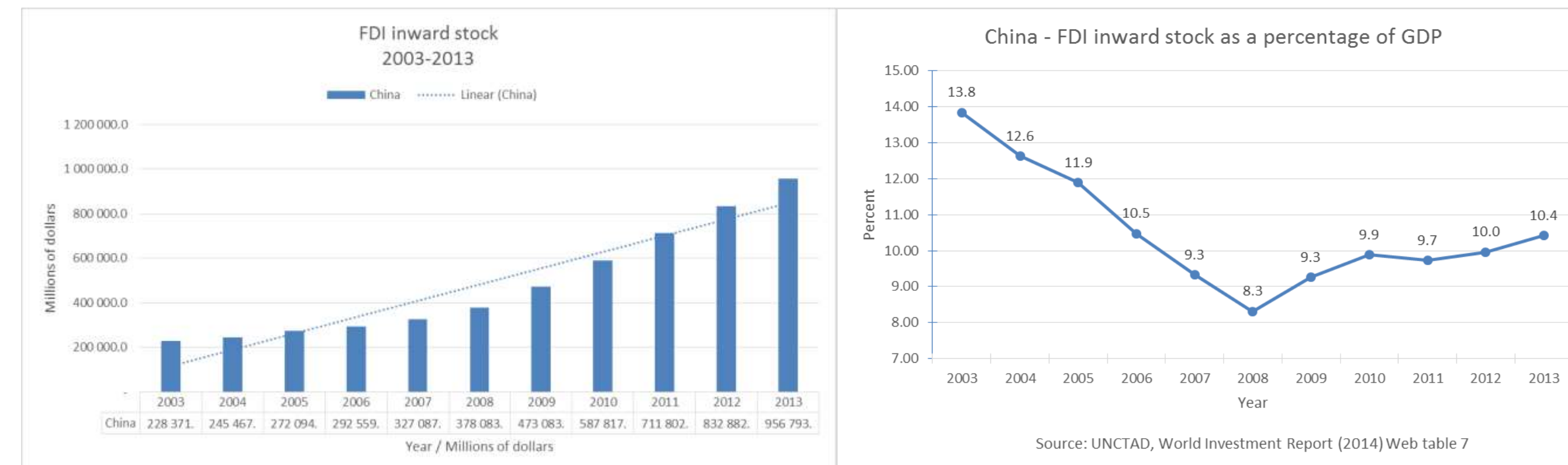
- Data was extracted from the United Nations Conference on Trade and Development (UNCTAD), World Investment Reports, as well as other selected databases from China. We are using the statistics found in these sources, between 2003 and 2014, to conduct analysis specifically on China.

## China GDP

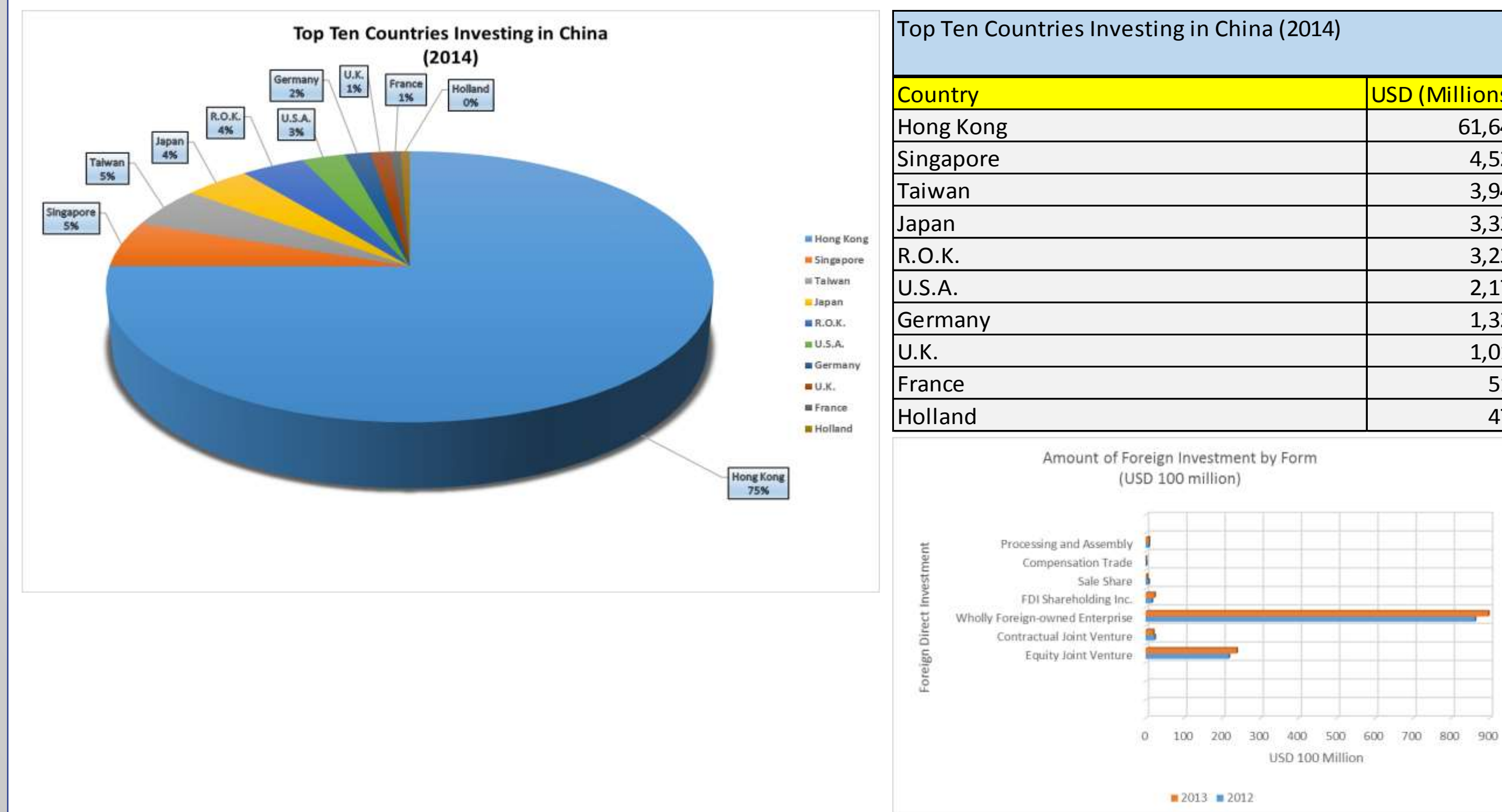
(2000-2014, USD in billion)



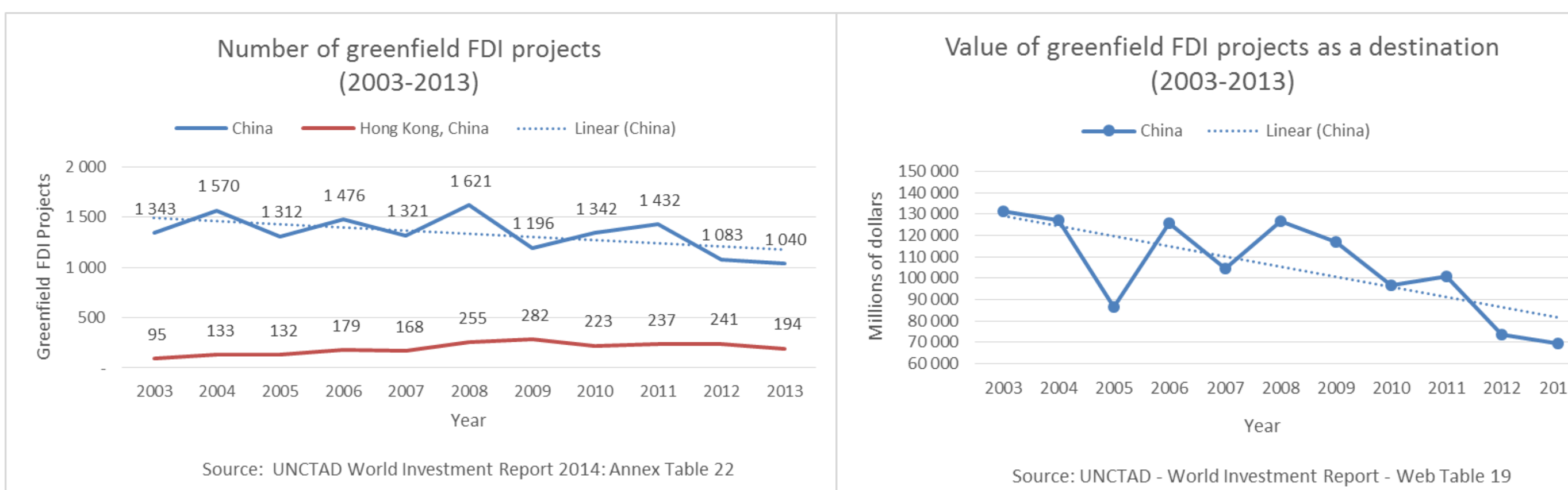
## Inward FDI Stock (2003-2013)



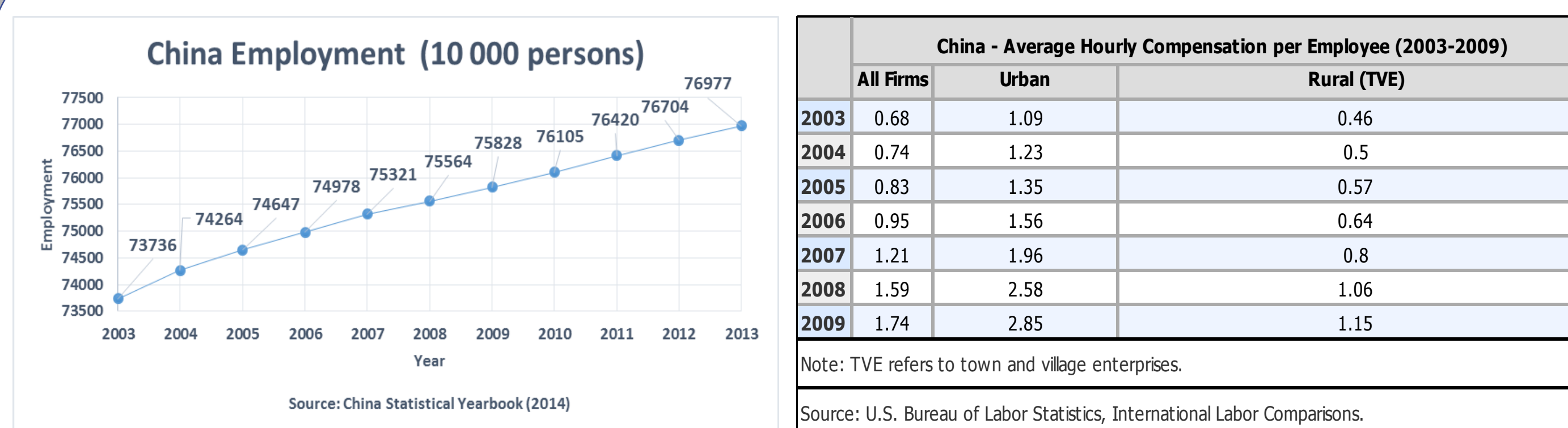
## Top Ten Countries Investing in China (2014)



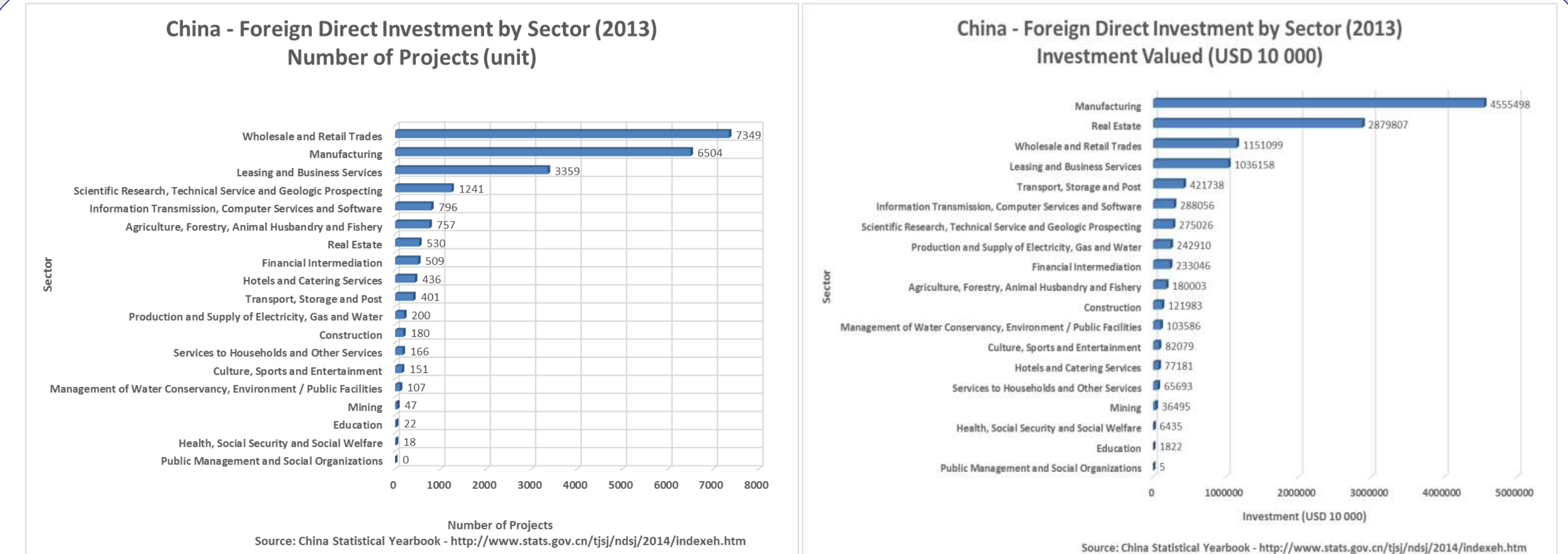
## Greenfield FDI Investments



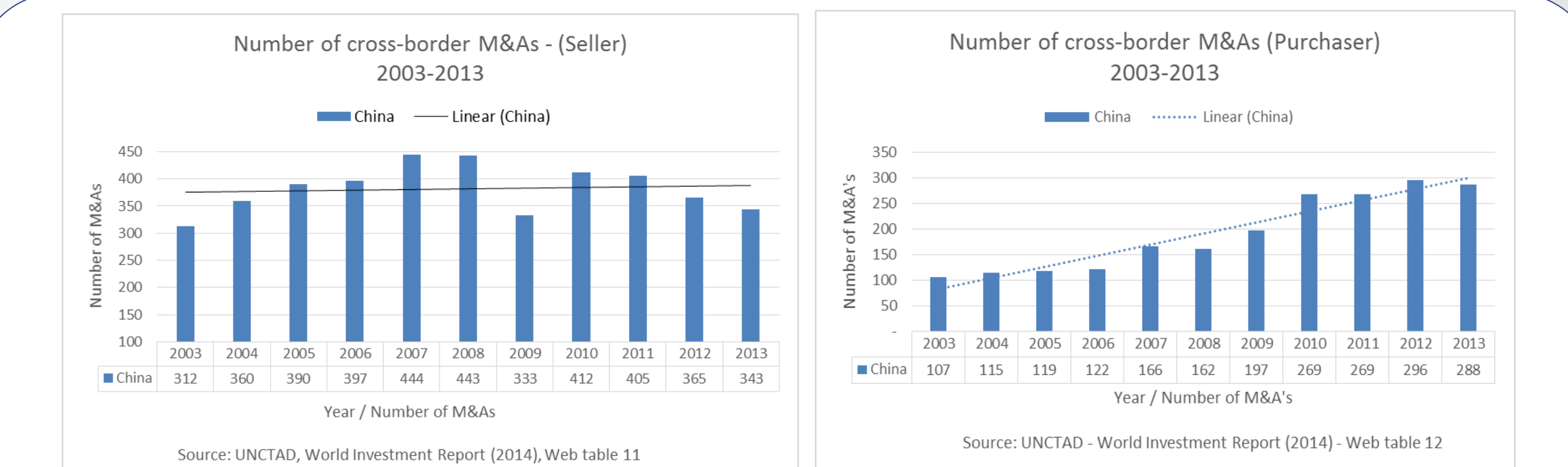
## Employment



## Sectoral Distribution



## Cross-border M&As



## Top Ten M&A's in China (2013)

M&A World Ranking (2013)	Value (\$ billion)	Acquired company	Host economy	Ultimate acquiring company	Ultimate home economy	Industry of the ultimate acquiring company	Shares acquired
4	19.1	Nexen Inc	Canada	China National Offshore Oil Co	China	Crude petroleum and natural gas	100
16	4.8	Smithfield Foods Inc	United States	Shuanghui Int'l Hldg Ltd	China	Meat packing plants	100
21	4.2	ENI East Africa SpA	Mozambique	CNPC	China	Crude petroleum and natural gas	29
39	3.0	Apache Corp-Egypt Oil & Gas Business	Egypt	Sinopec Group	China	Crude petroleum and natural gas	33
53	2.5	Chalco Iron Ore Holding Ltd	Hong Kong, China	Aluminum Corp of China	China	Primary production of aluminum	65
69	2.0	QAO Uralalkali	Russian Federation	China Investment Corp	China	Management investment offices, open-end	13
79	1.8	91 Wireless Websoft Ltd	China	Baidu Inc	China	Information retrieval services	100
88	1.7	Pioneer Natural Resources Co	United States	Sinochem Group	China	Crude petroleum and natural gas	40
93	1.6	Browse LNG Project/Western Australia	Australia	CNPC	China	Crude petroleum and natural gas	10
126	1.3	Visteon Corp-Automobile JV Assets	China	SAIC	China	Motor vehicles and passenger car bodies	100

## Case Study: Shanghai Free Trade Zone (FTZ)



## Top Ten FDI Regions of China (2011)

Region	Current FDI (USD Billion)	Previous FDI (USD Billion)	GDP (USD Billion)
Jiangsu	28.5 (2010)	25.3 (2009)	596.8 (2010)
Guangdong	19.54 (2009)	19.54 (2009)	665 (2010)
Liaoning	15.44 (2009)	12 (2007)	260 (2010)
Tianjin	10.8 (2009)	5.3 (2007)	133 (2010)
Shanghai	10.54 (2009)	8.1 (2008)	250 (2010)
Zhejiang	9.94 (2009)	10.1 (2008)	379 (2010)
Beijing	6.12 (2009)	5.1 (2007)	201 (2010)
Fujian	5.67 (2008)	5.67 (2008)	206 (2010)
Binhai New Area	5.1 (2008)	5.1 (2008)	33.68 (2010)
Henan	4.8 (2009)	4.8 (2009)	333 (2010)