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Chinese outbound foreign direct investment: How much goes where after round-tripping and offshoring?

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China's outbound foreign direct investment: How much goes where after round-tripping and offshoring?

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Abstract

Chinese official statistics may be distorted by the presence of stop-over destinations such as Hong Kong and offshore centers in the Caribbean. In this paper we recalculate these flows in a way which accounts for these distortions, estimating the actual magnitude and distribution of China's ODI and flows and stocks based on weighted averages. Our estimates show that Chinese ODI flows in 2013 may have been overstated due to the presence of round-tripping, dislodging previously held assumptions that the country is close to becoming a net exporter of FDI. Furthermore, the distribution of China's ODI may be more diversified than previously thought, with developed markets such as Europe and North America featuring more prominently. Finally, Chinese ODI is a relatively new phenomenon, so its global stock, not including valuations, remains small when compared to other major economies (China 2.3%, Japan 4.5%, US 22%). This is bound to change rapidly following from a number of policy initiatives that aim to assist China to rebalance its economy and internationalize its companies.

Keywords: Chinese outward foreign direct investment, round-tripping, offshoring

JEL: F21, F23

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1 China's growing ODI overstated due to data limitations

Chinese outbound foreign direct investments (ODI) have grown very rapidly in the last decade, and China is now the third-largest foreign direct investor in the world according to the OECD (2014), behind the United States and Japan (Figure 1). However, Chinese ODI is a relatively new phenomenon, so its stock of ODI globally was small compared to other major economies (China 2.3%, US 22%, Japan 4.5%) (Figure 2). Fast ODI growth rates – which are set to continue – should increase this share quite quickly. This trend has already started to draw significant attention from Chinese and foreign policy makers alike.

According to the Ministry of Commerce of the People's Republic of China (MOFCOM), China's outbound foreign direct investment (ODI) may have exceeded inbound foreign direct investment (FDI) for the first time in 2014. According to these figures, China's FDI increased by 1.7% y/y, reaching USD 119.6 billion in 2014, while non-financial ODI increased by almost 11.0% y/y, reaching USD 102.9 billion. Assuming that ODI growth rates to the financial sector remain constant, this would place total ODI flows for 2014 at over USD 120 billion, surpassing FDI by a notch (Figure 3).

This result is remarkable because it implies that China has become a net creditor for the first time, marking an important turning point for the country. However, we believe that China may not be a net creditor yet given the limitations surrounding official ODI statistics. MOFCOM requires companies to register the first (not the final) destination of their cross-border transactions and do not take into account reverse flows (NB: they do include reinvested earnings). This makes it hard to determine the final size and distribution of Chinese ODI.

Despite their limitations, MOFCOM figures remain the most widely observed FDI statistics. The breakdown of figures by region and sector is published on September each year in conjunction with the National Bureau of Statistics (NBS) and the State Administration of Foreign Exchange (SAFE), so only 2013 figures are available to date. Alternative sources of ODI data include China's Balance of Payment (BOP) statistics and M&A databases; however these are not suitable for our analysis. For instance, BOP statistics do not provide a comprehensive breakup by region and sector, while M&A databases exclude transactions that also qualify as ODI according to China's definition (i.e. Greenfield investments).

In order to shed some light on this matter, in this paper we will adjust MOFCOM's statistics by region for 2013 in a way which accounts for two major potential sources of disruption, namely:

- 1) **Offshoring:** The IMF defines offshore centers as “a country or jurisdiction that provides financial services to nonresidents on a scale that is incommensurate with the size and the financing of its domestic economy” (Zorome, 2007). In the case of Chinese ODI, Hong Kong, the Cayman Islands and the British Virgin Islands (BVI) account for circa 70% of China's total ODI stocks (Figure 4), an occurrence which is not easily explained by the aforesaid economic fundamentals. China imposes tight capital controls in exchange for a fixed exchange rate system and an independent monetary policy. These offshore centers act as intermediaries of flows between China and the world favored by relatively lower tax rates and superior know-how, resulting in a massive distortion of ODI figures.
- 2) **Round-tripping:** Round tripping is defined in the Annotated Outline (AO) for the revision of BPM5 as the channeling by direct investors of local funds to special purpose vehicles (SPVs) abroad with the intent to subsequently return these funds to the local economy in the form of FDI. In the case of Chinese ODI, “capital is sometimes channeled overseas as ODI via stopover locations, with the goal to return (back into) China as FDI in order to benefit from preferential terms for foreign investors” (Census and Statistics Department of Hong Kong, 2004), resulting in overstated ODI figures.

2 Existing literature on Chinese ODI remains elusive

The literature on Chinese ODI round-tripping is rather limited – which is not surprising given the elusive nature of these flows – and in most cases the analysis does not go beyond what MOFCOM, NBS and SAFE state on their annual publication, the *Statistical Bulletin of China's Outward Foreign Direct Investment*. The Peterson Institute for International Economics (Rosen and Hanemann, 2009) offers a good, albeit outdated, overview of Chinese ODI figures. In addition to summarizing the main trends concerning Chinese investments overseas, they introduce us to the main limitations surrounding Chinese ODI figures. In particular, they specify that “another factor potentially contributing to overstatement of ODI is round-tripping: reporting ODI (mostly to Hong Kong or tax havens) only to bring it back into China in order to enjoy preferential FDI treatment and other advantages. However, Rosen and Hanemann (2009) do not get into the details of round-tripping and do not attempt to conduct any quantitative analysis that looks beyond official MOFCOM statistics.

The distortive role that offshore tax havens may play on global FDI statistics is a phenomenon which is not limited to China. A number of authors have covered this topic in quite some depth from a global perspective. Haberly and Wojcik (2014) use IMF data on FDI stocks to shed light on the geographical, political and historical determinants of offshore FDI and discover that at least 30% of total stocks are intermediated through tax havens. In a different paper, Haberly and Wojcik (2013) employ principal component analysis to deconstruct what they refer to as the “global bilateral FDI anomaly matrix” into four sub networks, namely: “European colonialism, the post–WWII hegemonic alliance between the United States and Western Europe, the fall of Soviet communism, and the rise of Chinese capitalism”.

On China, a number of papers have already looked into the relationship between offshore centers and ODI statistics, however in most cases they do not recalculate official statistics based on their results or focus predominantly on the legislative aspects of this occurrence. Buckely et al. (2012) explores the links between the geography of money and financial literature to explore the proportion of round-tripping FDI in emerging market multinationals, with a focus on China. Sutherland and Anderson (2015) conclude that Chinese enterprises route ODI via tax havens and offshore financial centers, creating “large geographical, industrial composition and volume biases in Chinese outward FDI data”, proving the point that Chinese ODI statistics may be significantly distorted due to the presence of round-tripping and offshoring via Hong Kong, the Cayman Islands and BVI. Sutherland and Anderson (2015) deploy a sample of 100 Chinese enterprises to demonstrate this bias; however they do not attempt to recalculate official statistics based on their conclusions.

One of the most comprehensive studies available on this topic is by Geng Xiao (2004). The paper offers a very good evaluation of the scale, causes and implications of round-tripping FDI in China. According to Xiao, a significant part of the new capital finds its way abroad, forming the base for sustained round tripping FDI back home when the opportunities to make profits and create new capital at home arise. The paper estimates the proportion of round-tripping to be around 40% or within the range of 30% to 50%. Hong Kong, China SAR plays an important role in “each of the three stages of capital's journey: (1) the original creation of new capital in PRC, (2) the capital flight out of PRC and (3) the round tripping FDI back to PRC”, while tax havens in the Caribbean have been playing an increasingly important role in “facilitating legitimate round tripping capital flows for the purpose of listing the Mainland PRC companies in overseas stock markets”. But the paper does not take this investigation further, hence the question remains: How much ODI goes where after round-tripping and offshoring?

3 Methodology: Accounting for data limitations

The magnitude and distribution of China's ODI figures may be significantly distorted by the presence of regional hubs such as Hong Kong and low-tax intermediaries in the Caribbean, so much is clear. In this paper, we attempt to shed light on this issue by addressing the two main limitations surrounding Chinese ODI data: round-tripping and offshoring. Our estimations draw from the existing literature on China's round-tripping FDI and by no means represent the final magnitude or distribution of Chinese ODI flows. We treat flows and stocks in the same way.

Hong Kong accounts for the lion share of Chinese ODI, equivalent to 60% of total flows to the world in 2013. While Hong Kong is an important destination for Chinese investment, it's unlikely that all of this remains in Hong Kong. Based on the existing literature (Xiao, 2004), we exclude 40% of all ODI flows to Hong Kong, as we can assume that they constitute round-tripped FDI and are reinvested back into China.

In addition, Hong Kong is also a regional hub for capital flows between China and the rest of the world. Again, based on existing literature we assume that 30% of ODI to Hong Kong stays in Hong Kong, with the remaining 30% flowing via Hong Kong across all countries in the world. This redistribution is done on the basis of the weighted share of total ODI flows received to each country in the world excluding Hong Kong. For example if the US's share of ODI flows to the world 9% (excluding Hong Kong), then the US will be allocated 9% of the proportion of ODI flows to Hong Kong which are actually destined to the rest of the world during that period.

The Cayman Islands and BVI are the second and fourth largest recipients of ODI according to official figures. Together, they account for almost 12% of China's ODI flows to the world in 2013. BVI companies are a preferred vehicle for restructuring investments out of China (Adams and Wilson, 2014), a situation which is analogous for other emerging economies such as India (Garcia-Herrero and Deorukhkar, 2014). We therefore redistribute ODI flows to BVI across Asia based on the weighted share of total Chinese ODI flows to Asia excluding offshore centers.

Chinese enterprises looking to tap into capital markets already look towards the Cayman Islands as an incorporation destination. However the region also has comparative advantages when it comes to cross-border flows with the Western Hemisphere and Europe, which explains why so many Chinese companies are using special purpose vehicles (SPVs) in the Cayman Islands as intermediaries (Haberly and Wojcik, 2014).

For example, 2013 saw China's largest-ever acquisition of a US company (Smithfields Foods), worth USD 4.7 billion. However the transaction took place via a shell company in Cayman Islands, so it does not show up on official ODI figures for China. But does it count as Chinese ODI into the US? We account for these limitations by redistributing Chinese ODI flows to Cayman Islands across countries the Western Hemisphere and Europe. Again, this redistribution is done based on the weighted share of total ODI flows to North America, Latin America and Europe.

Our recalculated ODI figures may still be overestimated as they do not take into consideration round-tripping via offshore centers other than Hong Kong. Furthermore, MOFCOM's ODI stocks are calculated as a summary of Chinese ODI flows, and do not accurately reflect the valuation of these investments over time. Finally, our ODI figures may still be distorted as we don't reallocate ODI from offshore centers other than Hong Kong, BVI and Cayman Islands.

4 Results: How much ODI goes where?

First of all, our estimations show that ODI flows in 2013 may have been much lower than reported by MOFCOM, being closer to USD 81.62 billion in reality (versus USD 107.8 billion). The same applies to ODI stocks, which came out at USD 498.46 billion (versus USD 660.62 billion). The reason for this discrepancy is the fact that a significant proportion of ODI flows are round-tripped via Hong Kong, ending up reinvested into China as FDI. The results of our exercise are displayed in Table 1 below (for a more in-depth breakdown, please refer to Appendix I). A priori, lower ODI figures hint that China may still be far from becoming a net creditor; meaning that it is not likely that ODI will outpace FDI any time soon. Intuitively, this makes sense given the country's stage of development. However, in order to attest this beyond doubt, we would also have to recalculate Chinese inbound FDI figures following similar principles, which is not within the scope of this paper.

Perhaps the most meaningful findings concern the geographical distribution of Chinese ODI stocks and flows. While Asia remains the largest recipient of Chinese ODI, its share falls from 70% to 50% after accounting for round-tripping and offshoring. This can be traced back to the redistribution of flows from Hong Kong across the rest of the world globe based on weights. The fact that Asia is the major recipient of Chinese ODI makes sense given the region's geographical proximity and close trade links with China. However, Chinese official statistics define Asia in very broad terms, including the Middle East and Central Asia, both major commodity exporters to China (Figure 5). Despite Asia – and particularly ASEAN – are important destinations of Chinese ODI, the continent's total share of Chinese ODI would decrease significantly based on narrower geographical classifications.

At the same time, Europe emerges as the second largest recipient according to our estimates. The continent goes from being a relatively modest recipient of ODI (8% of stocks and 6% of flows in 2013), to accounting for 19% of total stocks, and 17% of total flows in 2013. Take the European Union (EU) as an example: recent media reports have claimed that we are witnessing wave of Chinese investments into the EU; however official statistics place this figure at a modest USD 4.4 billion in 2013. Our estimates show that Chinese ODI flows into the EU could have been closer to USD 10.4 billion in reality, challenging previously held assumptions that China remains a minor investor in the EU. To put this into context, the United States' ODI flows into the EU in 2012 were USD 166 billion, accounting for well over 50% of the total. Furthermore, 2013 might have been as slower year for Chinese investments into Europe, as reflected by M&A databases, so we expect this figure to pick up further in 2014.

North America also sees an increase in its share of ODI, a situation which is analogous to that of Europe, however the increase is more pronounced in the former than the latter, primarily because we redistribute flows and stocks based on weights and Europe has historically enjoyed a higher share of Chinese ODI flows than North America. The US dominated flows to the region, accounting for over 75% of flows and stocks to North America. MOFCOM's statistics show that Chinese ODI flows into the US were USD3.8bn in 2013 which, as we have mention in the previous chapter, is lower than lower than the value of the largest transaction that year (the purchase of Smithfield's Food for USD4.7bn). Our estimates put this figure at around USD 9.0 billion for total ODI flows that year and USD 49.2 billion for stocks (vs. MOFCOM USD 21.9 billion).

Latin America is the only region that experiences a drop in Chinese ODI, which is not surprising given the role of regional offshore centers such as the Cayman Islands and BVI in attracting Chinese ODI. However if we exclude offshore centers from the equation, ODI stocks to the region actually increase after accounting for round-tripping and offshoring (USD 9.9 billion according to MOFCOM vs. USD 23.2 billion based on our estimates). Africa and Oceania also experience increases, however these are not as significant because both regions account for a relatively small proportion of China's total ODI stocks and flows on weighted terms.

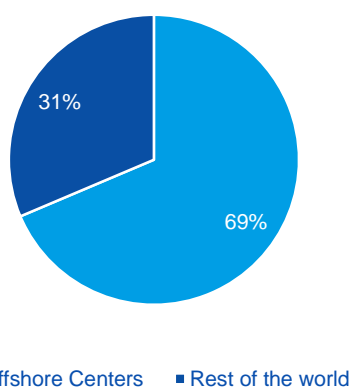
Table 1
Chinese ODI Stocks and Flows by region before and after adjusting for round-tripping and offshoring (USD bn)

Stocks					
MOFOCM			Adjusted		
Region	Total	% Total	Region	Total	% Total
Asia	447.41	68%	Asia	245.32	49%
Latin America	86.09	13%	Latin America	23.15	5%
Europe	53.16	8%	Europe	95.19	19%
North America	28.61	4%	North America	63.19	13%
Africa	26.19	4%	Africa	38.88	8%
Oceania	19.02	3%	Oceania	32.70	7%
TOTAL	660.62	100%	TOTAL	498.46	100%

Flows					
MOFOCM			Adjusted		
Region	Total	% Total	Region	Total	% Total
Asia	75.6	70%	Asia	40.69	50%
Latin America	14.36	13%	Latin America	4.39	5%
Europe	5.95	6%	Europe	13.87	17%
North America	4.9	5%	North America	11.42	14%
Africa	3.37	3%	Africa	5.38	7%
Oceania	3.66	3%	Oceania	5.87	7%
TOTAL	107.82	100%	TOTAL	81.62	100%

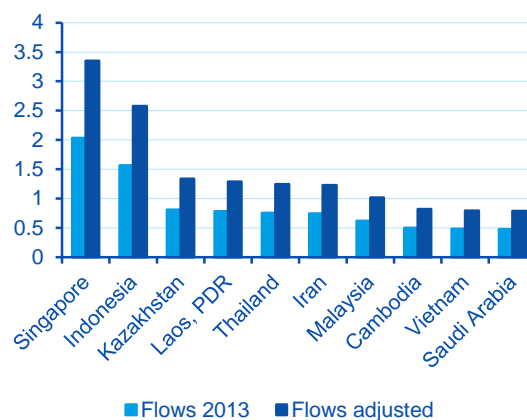
Source: BBVA Research, MOFOCM, NBS and SAFE

Figure 4
Hong Kong, the Cayman Islands and BVI account for the lion-share total ODI stocks before adjusting



Source: CEIC and BBVA Research

Figure 5
Top-10 recipients of Chinese ODI flows in Asia excluding Hong Kong (USD bn)



Source: CEIC and BBVA Research

5 Chinese ODI to increase looking forward

China may not be a net creditor quite yet; however this is bound to change very quickly. In spite of data limitations which may overstate the overall amount of Chinese ODI, it is undeniable that Chinese ODI has been growing very quickly, especially given that China's ODI stocks in the world remain underrepresented relative to the country's size. In particular, we believe that a number of issues will add to the existing momentum behind Chinese ODI:

1) Further easing of application procedures for ODI:

The recent trend in China's ODI policy framework has been towards more deregulation (see Appendix II). New measures, aiming to further simplify the approval and registration procedure for Chinese ODI, were put in place by the National Development and Reform Commission (NDRC) on June 2014. Under the new, more permissive rules, filling with the relevant municipal government body is generally sufficient for projects under USD 300 million. Investments in sensitive sectors and countries are still subject to approval by the NDRC at central level; however the new rules will put significant impetus behind the Chinese ODI looking forward.

Easing measures were introduced with the objective to accelerate China's going-out policy, assisting China's trans-national corporations (TNCs) to internationalize in order to facilitate China's rebalancing efforts. This will benefit in particular privately owned enterprises, where we are observing the largest increase in ODI flows. We expect this measure to boost ODI in non-sensitive projects under 300 million, including investments in foreign companies to expand market share overseas and access proprietary technology (manufacturing in the EU and the US), as well as investments that offer good yields overseas (real estate is a good example, including Wanda's purchase of landmark building in Spain for EUR 265 million in 2014).

2) The need to internationalize TNCs, boost productivity and enable China's rebalancing efforts:

China's rebalancing away from investments has left many sectors with excessive capacity (steel, cement, construction). Boosting ODI to overseas markets where demand is still on the rise, as is the case with most ASEAN countries, will enable China to outsource this excessive capacity. Labor-intensive sectors will also seek to expand overseas in order to benefit from relatively lower labor costs and maximize profit margins, favoring ODI flows to manufacturing activities in ASEAN and to a lesser extent Africa. On the other end of the spectrum, TNC's on the high value-added segment will look to expand overseas to purchase technology that will facilitate China's shift up global value chains (GVCs). This quest for technology has already driven many TNCs to purchase assets in the EU and the US.

These trends have already started to reflect in the industrial structure of Chinese investors. Contrary to popular belief, State Owned Enterprises (SOEs) accounted for little over 50% of total ODI stocks as per 2013, while, Limited Liability Companies' market share grew by 5% y/y, standing at circa 40%. In fact, many of China's biggest (and rising) overseas investors are now privately owned TNCs (see Appendix II). This should put significant tailwind behind investments to Europe and the US.

3) The need diversify its international investment position away from reserve assets and towards ODI:

China has amassed an impressive amount of foreign reserves, equivalent to roughly USD 4 trillion in 2013. An estimated two-thirds of these reserves are held in USD denominated assets, primarily government bonds and institutional bonds. Currently, China does not have a channel to hedge for the falling value of its vast USD denominated reserves in case of currency depreciation (or its Euro/Yen denominated reserves for that matter).

Beijing could use ODI as an alternative to holding government debt securities, diversifying its hugely positive international investment position away from reserve assets and towards ODI.

In addition, US government bonds offer very low yields. By diversifying away from reserves towards ODI, China could achieve higher yields, particularly for higher-risk projects in emerging economies, thus complementing the strategic interests of its TNCs abroad. This is a huge opportunity for emerging economies to finance infrastructure projects required to close the competitive gap. We expect to see an increase in Chinese ODI for infrastructure projects in Asia, Latin America and Africa, as monetary expansion in the EU and Japan put forward downward pressure on China's foreign assets denominated in these currencies.

4) More government-led initiatives such as the 21st Century Silk Road:

The need to offshore excess capacity and expand overseas markets for Chinese TNCs coincides with an increase in the assertiveness of Chinese economic diplomacy, a shift which is embodied by China's 21st Century Silk Road. The initiative, announced in 2014, comprises the creation of a USD 40 billion Silk Road Fund to boost infrastructure investments and foster economic integration with countries along the historic Silk Road (Highlighted in green on Figure 4). The Silk Road Economic Belt (the land bound leg of the initiative), will target countries in Central Asia (many of which are important suppliers of oil and natural gas to China) and will finish in Turkey. The 21st Century Maritime Silk Road (the sea bound leg) will target ASEAN countries and will reach East Africa via the Malacca Strait as well as India and Sri Lanka. But this is by no means the only government-led initiative that aims to achieve this.

2014 was a remarkable year for Chinese development finance overseas. In addition to the Silk Road Fund, Beijing spearheaded the creation of a USD 50 billion Asian Infrastructure Investment Bank (AIIB) and a USD 50 billion BRICS New Development Bank (NDB). ODI flows to these regions will be greatly aided by improved economic integration and financing for infrastructure investments. Latin America is another region that is bound to receive more ODI on the back of new bilateral lending and investment deals. These include USD 20 billion in investments to Venezuela over the next 5 years and USD 7.5 billion in lending to Ecuador, both of which were announced at the recent China-CELAC Summit in Beijing, where Xi Jinping also pledged that China will strive to increase direct investment in Latin America USD 250 billion by 2025.

This type of government-led initiatives help to improve economic integration and expand the market for Chinese goods and services overseas, all of which will open opportunities for Chinese companies abroad. Once fully fletched, they will provide much needed capital for developing countries and increase China's ODI stocks in the world, primarily in the mining, transportation infrastructure, construction, and manufacturing and information transmission sectors.

Appendix I

Table 2

Chinese ODI flows and stocks in billions of USD (2013)

Country	Flows	Flows adjusted	Stocks	Stock adjusted
Afghanistan	0.00	0.00	0.49	0.48
Bahrain	-0.01	-0.01	0.00	-0.02
Bangladesh	0.04	0.07	0.16	0.33
Brunei	0.01	0.01	0.07	0.11
Cyprus	0.08	0.13	0.17	0.49
Cambodia	0.50	0.82	2.85	4.94
East Timor	0.00	0.00	0.01	0.02
Hong Kong	62.82	19.65	377.09	121.62
India	0.15	0.24	2.45	3.07
Indonesia	1.56	2.58	4.66	11.21
Iran	0.75	1.23	2.85	5.97
Iraq	0.02	0.03	0.32	0.40
Israel	0.00	0.00	0.03	0.04
Japan	0.43	0.71	1.90	3.72
Jordan	0.00	0.00	0.02	0.03
Kazakhstan	0.81	1.34	6.96	10.36
Kirghizia	0.20	0.34	0.89	1.74
Korea, DPR	0.09	0.14	0.59	0.95
Republic of Korea	0.27	0.44	1.96	3.09
Kuwait	0.00	0.00	0.09	0.09
Laos, PDR	0.78	1.29	2.77	6.05
Lebanon	0.00	0.00	0.00	0.01
Macao	0.39	0.65	3.41	5.06
Malaysia	0.62	1.02	1.67	4.25
Mongolia	0.39	0.64	3.35	4.98
Burma	0.48	0.78	3.57	5.56
Nepal	0.04	0.06	0.08	0.23
Oman	0.00	0.00	0.17	0.17
Pakistan	0.16	0.27	2.34	3.03
Palestine	0.00	0.00	0.00	0.00
Philippines	0.05	0.09	0.69	0.92
Qatar	0.09	0.14	0.25	0.62
Saudi Arabia	0.48	0.79	1.75	3.75
Singapore	2.03	3.35	14.75	23.27
Sri Lanka	0.07	0.12	0.29	0.59
Syrian Arab Rep.	-0.01	-0.01	0.01	-0.03
Tadzhikistan	0.07	0.12	0.60	0.90
Taiwan	0.18	0.29	0.35	1.09
Thailand	0.76	1.24	2.47	5.64
Turkmenistan	-0.03	-0.05	0.25	0.12
Turkey	0.18	0.29	0.64	1.39
United Arab Emirates	0.29	0.49	1.51	2.75
Uzbekistan	0.04	0.07	0.20	0.38
Vietnam	0.48	0.79	2.17	4.18
Yemen	0.33	0.53	0.55	1.79

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Table 2 (cont)

Chinese ODI flows and stocks in billions of USD (2013)

Country	Flows	Flows adjusted	Stocks	Stock adjusted
Algeria	0.19	0.31	1.50	2.21
Angola	0.22	0.36	1.63	2.47
Benin	0.01	0.01	0.05	0.08
Botswana	0.01	0.02	0.23	0.27
Burundi	0.00	0.00	0.01	0.01
Cameroon	0.06	0.09	0.15	0.36
Cape Verde	0.00	0.00	0.02	0.02
Central African Rep.	0.00	0.00	0.06	0.07
Chad	0.12	0.19	0.32	0.77
Comoros	0.00	0.00	0.00	0.00
Congo, DR	0.12	0.19	1.09	1.55
Congo	0.11	0.18	0.70	1.11
Cote d'Ivoire	0.00	-0.01	0.04	0.02
Djibouti	0.00	0.00	0.03	0.04
Egypt	0.02	0.04	0.51	0.60
Eq. Guinea	0.02	0.04	0.26	0.34
Eritrea	0.00	0.00	0.10	0.11
Ethiopia	0.10	0.16	0.77	1.15
Gabon	0.03	0.05	0.17	0.29
Gambia	0.00	0.00	0.00	0.00
Ghana	0.12	0.20	0.83	1.29
Guinea	0.10	0.16	0.34	0.71
Kenya	0.23	0.37	0.64	1.50
Lesotho	0.00	0.00	0.01	0.01
Liberia	0.03	0.05	0.20	0.31
Libya	0.00	0.00	0.11	0.11
Madagascar	0.02	0.02	0.29	0.34
Malawi	0.01	0.01	0.25	0.28
Mali	0.11	0.17	0.32	0.72
Mauritania	0.02	0.02	0.32	0.37
Mauritius	0.06	0.10	0.85	1.08
Morocco	0.01	0.01	0.10	0.13
Mozambique	0.13	0.21	0.51	1.00
Namibia	0.01	0.01	0.35	0.38
Niger	0.12	0.19	0.24	0.68
Nigeria	0.21	0.34	2.15	2.93
Rwanda	-0.01	-0.01	0.07	0.05
Senegal	0.01	0.02	0.08	0.12
Seychelles	0.02	0.03	0.10	0.17
Sierra Leone	0.04	0.06	0.11	0.26
South Africa	-0.09	-0.14	4.40	4.07
Sudan	0.14	0.23	1.51	2.03
Tanzania	0.15	0.24	0.72	1.28
Togo	0.02	0.04	0.12	0.21
Tunisia	0.01	0.01	0.01	0.04
Uganda	0.06	0.10	0.38	0.61
Zambia	0.29	0.47	2.16	3.26
Zimbabwe	0.52	0.83	1.52	3.46

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Table 2 (cont)

Chinese ODI flows and stocks in billions of USD (2013)

Country	Flows	Flows adjusted	Stocks	Stock adjusted
Albania	0.00	0.00	0.01	0.01
Armenia	0.00	0.00	0.01	0.01
Austria	0.00	0.00	0.08	0.08
Azerbaijan	0.00	-0.01	0.04	0.01
Belorussia	0.03	0.06	0.12	0.31
Belgium	0.03	0.06	0.32	0.50
Bosnia & Herzegovina	0.00	0.00	0.01	0.01
Bulgaria	0.02	0.05	0.15	0.30
Croatia	0.00	0.00	0.01	0.01
Czech	0.02	0.04	0.20	0.33
Denmark	0.03	0.06	0.08	0.28
Estonia	0.00	0.00	0.00	0.00
Finland	0.01	0.02	0.04	0.10
France	0.26	0.61	4.45	6.29
Georgia	0.11	0.26	0.33	1.11
Germany	0.91	2.12	3.98	10.42
Greece	0.00	0.00	0.12	0.13
Hungary	0.03	0.06	0.53	0.71
Iceland	0.00	0.00	0.00	0.00
Ireland	0.12	0.27	0.32	1.15
Italy	0.03	0.07	0.61	0.83
Latvia	0.00	0.00	0.00	0.00
Liechtenstein	0.00	0.00	0.00	0.00
Lithuania	0.01	0.01	0.01	0.05
Luxembourg	1.28	2.97	10.42	19.44
Macedonia	0.00	0.00	0.00	0.00
Malta	0.00	0.00	0.00	0.00
Moldova	0.00	0.00	0.00	0.00
Netherlands	0.24	0.56	3.19	4.88
Norway	0.20	0.46	4.77	6.16
Poland	0.02	0.04	0.26	0.39
Portugal	0.01	0.03	0.06	0.16
Romania	0.00	0.01	0.15	0.16
Russia	1.02	2.38	7.58	14.81
Serbia & Montenegro	0.00	0.00	0.00	0.00
Serbia	0.01	0.03	0.02	0.10
Montenegro	0.00	0.00	0.00	0.00
Slovakia	0.00	0.00	0.08	0.09
Slovenia	0.00	0.00	0.01	0.01
Spain	-0.15	-0.34	0.32	-0.71
Sweden	0.17	0.40	2.74	3.95
Switzerland	0.13	0.30	0.30	1.20
Ukraine	0.01	0.02	0.05	0.12
United Kingdom	1.42	3.31	11.80	21.83
Antigua & Barbuda	0.00	0.00	0.01	0.01
Argentina	0.22	0.52	1.66	3.22

Continued on next page

Table 2 (cont)

Chinese ODI flows and stocks in billions of USD (2013)

Country	Flows	Flows adjusted	Stocks	Stock adjusted
Bahamas	0.00	0.00	0.00	0.00
Barbados	0.00	0.00	0.00	0.01
Belize	0.00	0.00	0.00	0.00
Bolivia	0.01	0.03	0.12	0.22
Virgin Islands (E)	3.22	0.00	33.90	0.00
Brazil	0.31	0.73	1.73	3.93
Cayman Islands	9.25	0.00	42.32	0.00
Chile	0.01	0.03	0.18	0.26
Colombia	0.02	0.04	0.37	0.50
Cuba	-0.02	-0.06	0.11	-0.06
Dominica	0.00	0.00	0.01	0.01
Dominican Rep	0.00	0.00	0.00	0.00
Ecuador	0.47	1.10	1.01	4.34
Grenada	0.00	0.00	0.01	0.01
Guyana	0.04	0.08	0.23	0.47
Honduras	0.00	0.00	0.00	0.00
Jamaica	0.00	0.01	0.08	0.11
Mexico	0.05	0.12	0.41	0.76
Panama	0.19	0.44	0.48	1.81
Paraguay	0.00	0.00	0.05	0.05
Peru	0.11	0.27	0.87	1.68
St. Vincent & Grenadines	0.00	0.00	0.04	0.04
Suriname	0.03	0.07	0.11	0.32
Trinidad & Tobago	0.00	0.00	0.00	0.01
Uruguay	0.01	0.02	0.03	0.09
Venezuela	0.43	0.99	2.36	5.37
Canada	1.01	2.35	6.20	13.33
United States	3.87	9.03	21.90	49.28
Bermuda	0.02	0.03	0.51	0.58
Australia	3.46	5.55	17.45	30.38
Fiji	0.06	0.09	0.21	0.43
RP. Marshall Is	-0.01	-0.02	0.12	0.07
Fed S Micronesia	0.00	0.00	0.01	0.01
New Zealand	0.19	0.31	0.54	1.25
Palau	0.00	0.00	0.01	0.01
Papua New Guinea	0.04	0.07	0.42	0.58
Solomon Is	0.00	0.00	0.00	0.00
Tonga	0.00	0.00	0.01	0.01
Vanuatu	0.00	0.00	0.06	0.06
West Samoa	-0.08	-0.13	0.19	-0.10
Oceania others	0.00	0.00	0.00	0.00
TOTAL	107.82	81.62	660.62	498.46

Source: BBVA research, MOFCOM, NBS and SAFE

Appendix II

Figure 8
China's ODI Policy Development



Source: Working Paper Number PB09-14, Peterson Institute of International Economics and BBVA Research

Appendix III

Table 2

Top 50 non-financial enterprises with ODI stock (2013)

Enterprise	Change from 2012	Rank 2013	Rank 2012	Rank 2011
China Petrochemical Corporation	—	1	1	1
China National Petroleum Corporation	—	2	2	2
China National Offshore Oil Corporation	—	3	3	3
China Mobile Communications Corporation	—	4	4	4
China Resources (Holdings) Co., Ltd.	—	5	5	5
China Ocean Shipping (Group) Company	—	6	6	6
Sinochem Corporation	↑	7	8	10
China State Construction Engineering Corporation	↑	8	10	13
China Merchants Group	—	9	9	8
Aluminum Corporation of China	↓	10	7	9
China Unicom Corporation	—	11	11	11
Huawei Technologies Co., Ltd.	↑	12	24	27
China National Chemical Corporation	—	13	13	14
China Minmetals Corporation	↓	14	12	7
CITIC Group	↓	15	14	12
China Communication Construction Company Ltd.	↑	16	28	28
China National Cereals, Oils & Food stuffs Corp.	↓	17	15	15
China National Aviation Holding Corporation	↓	18	16	16
China Three Gorges Corporation	—	19	19	42
State Grid Corporation of China	↓	20	17	24
China Shipping (Group) Company	—	21	21	19
SinoSteel Corporation	↓	22	18	17
GDH Limited	↑	23	26	22
SINOTRANS Changjiang National Shipping (Group) Corporation	↓	24	20	18
China North Industries Group Corporation	↑	25	27	21
China Huaneng Group	↓	26	22	20
HNA Group	↓	27	23	34
Yanzhou Coal Mining Company Limited	↑	28	32	30
Power Construction Corporation of China	↑	29	N/A	N/A
China Nonferrous Metal Mining & Construction (group) Co., Ltd.	↓	30	25	29
Wuhan Iron & Steel (Group) Corporation	↑	31	38	35
Shanghai Geely Zhao Yuan Investments International Ltd.	↓	32	30	NA
Jinchuan Group Ltd.	↑	33	34	52
Shanghai Baosteel Group Corporation	↓	34	29	43
Aviation Industry Corporation of China	↑	35	40	41
China Metallurgical Group Corp.	↓	36	33	23
Legend Holdings Ltd.	↓	37	35	25
China Railway Construction Corporation	↑	38	79	N/A
China Power Investment Corporation	↓	39	31	26
Shenhua Group Corporation Ltd.	↑	40	46	51
Guangzhou Yuexiu Holdings Limited	↑	41	47	45
Anhui Foreign Economic Construction (Group) Co., Ltd.	↑	42	54	N/A
Midea Group Co., Ltd.	↑	43	51	N/A
China National Travel Service (HK) Group Corporation	↓	44	41	33
Dalian Wanda Group Co., Ltd.	↑	45	56	N/A
China General Nuclear Power Group	↓	46	45	47
Anshan Iron & Steel Group Corporation	↓	47	44	37
Shanghai Pharmaceuticals Holdings Co., Ltd.	↑	48	N/A	N/A
China Datang Corporation	↑	49	57	N/A
China National Heavy Duty Truck Group Co., Ltd.	↑	50	N/A	N/A

Source: MOFCOM and BBVA Research

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