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Economic Watch

China

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Economic Analysis

Asia

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China's outward FDI reaches new highs on strong growth in 2012-13

- **Helped by government policy initiatives, China's outward direct investment (ODI) rebounded in 2012 and remained resilient in 2013**

  China's ODI picked up in 2012 amidst a global downturn in FDI flows, propelling the country to become the world's third-largest FDI provider, up from sixth place in the prior year. ODI flows in 2012 increased by 18%, to USD 87.8 billion, a doubling of the growth pace in 2011.

- **Asian economies remain the largest recipient of Chinese FDI, but flows are beginning to increase rapidly to the US and LATAM**

  Hong Kong is the largest recipient of China's ODI, accounting for about 58%. This is in part due to its role as an intermediary of flows between China and the rest of the world. Growth to other regions continues to grow as well, especially to the US (which became the second largest ODI recipient in 2012), and to Central Asia and Latin America, where investment in natural resources and infrastructure are dominant.

- **As China's economic wealth and sophistication increases, the composition of its ODI by sector is becoming more diverse**

  While much of China's ODI remains focused in the natural resource sector, it is increasingly becoming more diversified. In 2012 ODI in the mining sector contracted, but grew rapidly in manufacturing, construction, and the financial industry.

- **Official policy initiatives are facilitating ODI flows**

  Specific targets and measures were announced with the launch of the 12th Five-year Plan in 2011, and more recently in November's "Third Plenum" which highlighted deregulation and market openness to promote both inward and outward FDI. The latter initiatives come on top of government efforts to sign more bilateral and multilateral investment agreements to boost outward FDI.

- **RMB internationalization is facilitating the pattern and growth of ODI**

  Progress in RMB internationalization is facilitating the pattern of China's ODI through a number of channels. An increasing share of China's ODI is denominated in RMB, and such flows are passing through Hong Kong given its role as an offshore RMB center. Furthermore, RMB internationalization and growing offshore RMB business opportunities are creating greater incentives for China's domestic financial institutions to go global.

After rebounding in 2012 China's outward FDI has continued to grow

According to the latest annual data,[1] China's outward FDI (ODI) grew by 17.6% in 2012, up from growth of 8.5% the previous year to reach a record high of USD 87.8 billion (Chart 1). While far lower than the average annual growth of 41.6% since 2003, the growth of China's ODI during 2012 was remarkable given that global FDI flows during the year declined by 16.8%[2] due to a contraction in flows from developed economies by -23.1% y/y) in Europe and North America. The growth of China's ODI is symptomatic of its rise in the global economy, a process that began with the country's accession to the World Trade Organization (WTO) and "Go-out" policy in 2001 (see Appendix Tables 1.1 and 1.2 on China's ODI Policy Framework).

China's ODI flows accounted for 6.3% of global FDI flows in 2012 (up from 4.4% in 2011), placing the country as the world's third-largest foreign direct investor for the year (Chart 2). The growth of ODI continued in 2013, with non-financial sector investment outflows rising by 19.5% ytd y/y through October (financial sector FDI flows are not yet available). State-owned enterprises (SOEs) continue to account for the majority of China's ODI, although the share has been declining (based on the stock of ODI, the share of SOE's non-financial sector investments fell to 59.8% in 2012 from 62.7% in 2011).

Even after the tremendous growth of ODI, China remains a net recipient of foreign direct investment (Chart 3), although the gap between inflows and outflows has narrowed. Indeed, in 2012 inward FDI fell for the first time since 2009, by -2.3%, although it rebounded through the first ten months of this year (5.8% ytd y/y) on renewed confidence in China's near-term growth and reform prospects. Despite the rapid growth of flows, the stock of China's outward FDI remains relatively small, accounting for only 2.3% of the global stock, and ranking China in 13th place (Chart 4). Moreover, relative to its large size in the global economy, China's ODI is also comparatively small (Chart 5).

Asia remains the largest ODI recipient, with strong growth to the US and LATAM

The top ten largest host countries of China's ODI in 2012 were, in order, Hong Kong, the United States, Kazakhstan, the United Kingdom, the British Virgin Islands (BVI), Australia, Venezuela, Singapore, Indonesia and Luxemburg. Together they accounted for 80.8% of total ODI flows (USD 71.0 billion). It should be noted that the flows are distorted by the presence of regional hubs -- for example, Hong Kong acts as an intermediary of flows destined for elsewhere -- and tax havens such as the British Virgin Islands. In some cases it is therefore difficult to discern the ultimate destination of these flows.

Notwithstanding these caveats, as a region Asia continues to be the largest recipient, accounting for nearly three-quarters of total FDI outflows in 2012 (Tables 1 and 2, and Charts 6-10). Within the region, Hong Kong is the single largest destination, attracting 58.4% of China's total FDI outflows. China's ODI in ASEAN countries remains small, but continues to increase steadily (3.3% y/y in 2012, representing 6.9% of total outward FDI).

Kazakhstan has become an increasingly important recipient, reflecting a quadrupling since 2011, reaching USD 3.0 billion (almost half of the amount of ASEAN-10). The country has been one of China's more important economic partners in Central Asia given its abundance of natural gas and oil resources. This reflects the initiative under the Energy Development Plan of the current 12th Five-Year Plan, which calls for the largest state-owned enterprises

[1] Based on the annual report, "Statistical Bulletin of China's Outward FDI," is released jointly by the Ministry of Commerce (MOFCOM), State Administration of Foreign Exchange (SAFE) and National Bureau of Statistics (NBS). The 2012 report was issued in late September.

[2] UNCTAD: World Investment Report 2013 June 27, 2013

(SOEs) in the petroleum sector to expand investment and infrastructure projects in the oil and gas sectors in Central Asia. These developments likely portend a period of robust ODI flows to Central Asia, as exemplified by the signing of a number of new projects in the energy sector during Chinese President Xi Jinping's week-long visit in four Central Asian countries (Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan) in September 2013.

Besides Asia, ODI to North America has also increased rapidly, almost doubling in 2012, to USD 4.9 bn from USD 2.5 bn the previous year. ODI to the US led the increase in 2012, growing by123.5% y/y, becoming the second largest recipient of China's ODI following Hong Kong. By sector, mining, manufacturing and business services contributed most to the growth. Suspicions in the West about the motivations of Chinese investment have been one of the biggest obstacles to the growth of such flows. These obstacles appear to have been partially relieved following the fourth and fifth rounds of the Sino-US Strategic and Economic Dialogues in May 2012 and July 2013 respectively, as reflected by the subsequent approval by the US Committee on Foreign Investment in September 2013 of China's largest-ever purchase of a US company (Smithfield Foods), worth $4.7 billion.

ODI to Latin American countries (excluding tax havens) almost tripled (+292%) in 2012, led by flows to Venezuela (oil and infrastructure sector) and Argentina. For the other regions, China's ODI flows generally contracted from a year earlier. ODI to Europe dropped by 14.7% in 2012, despite continued growth in the UK and Germany. Meanwhile, ODI to Africa and Oceania (including Australia) contracted by -20.7% and -27.2% respectively in 2012. Interestingly, the share of China's ODI flows to developed markets (Europe and North America) is relatively small compared to corresponding trade flows. The reverse is true for ODI to Asian economies (Chart 12).

Diversification of ODI flows continues, albeit slowly

By sector, China's ODI flows are becoming more diversified over time. The top seven sectors are business services, financial, mining, wholesale and retail, manufacturing, transport and construction, accounting for 89.2% of total ODI outflows in 2012, down from 90.7% in 2011 and 92.0% in 2010.

ODI in the financial and construction sectors rebounded in 2012, contributing most to the overall pickup in outflows. The business services sector, which accounts for the largest share of China's ODI stock, also improved after a contraction in the previous year. Meanwhile, the growth pace in the wholesale & retail trade and manufacturing sector eased but remained reasonably resilient. ODI in the mining sector (including oil and gas) dropped by 6.2% after a boom in the previous year (153%), and was the only major sector to see a contraction in 2012.

By destination, the business services sector remained the largest for flows to Hong Kong and the tax heavens of the BVI and the Cayman Islands, while manufacturing was the top draw in the U.S. Although the overall performance of the mining sector (including oil and gas) eased in 2012, it was the key growth driver among the "new comers", including Kazakhstan, Venezuela and Indonesia.

State-owned enterprises (SOEs) continue to dominate China's non-financial and financial ODI, although their share in the total has declined (59.8% of total non-financial ODI stocks in 2012 vs. 62.7% in 2011). Private enterprises are gaining share as they increasingly look overseas to invest in manufacturing, services and innovation areas.

Policies beefed up to facilitate non-financial ODI

Recent developments in ODI flows have been influenced by government policies. Following the launch of the 12th Five Year Plan in 2011, specific targets and measures were announced including an increase in FDI outflows to USD 150 billion by end-2015, implying an average annual growth of 20% over the period of 2013-2015. Moreover, the National Development and Reform Commission (NDRC) unveiled a sub-plan for FDI as a complement to the 12th Five Year Plan, highlighting four areas: 1) development of infrastructure construction in neighbouring countries and regions; 2) establishment of offshore manufacturing bases, and cooperation in energy, natural resource, agriculture and infrastructure construction in Africa and Latin America; 3) investment in technology-intensive markets to enhance R&D capabilities, build global brands, and explore overseas business networks; and 4) explore international markets through cooperation with local companies in Taiwan, Hong Kong and Macao, among others.

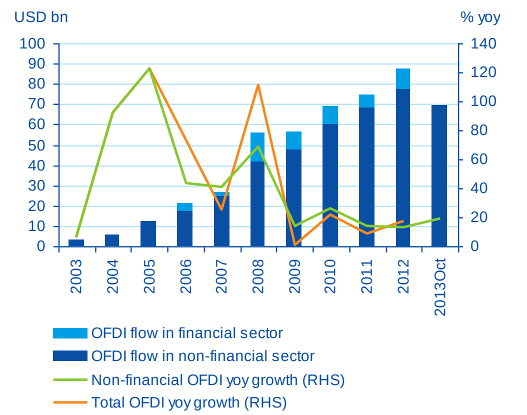
Further, during the Summer Davos Forum in September 2013, Chinese Premier Li Keqiang pledged to cut red tape to encourage more enterprises to invest overseas. And more recently the blueprint from the "Third Plenum" in November 2013 highlighted deregulation and market openness in order to promote both inward and outward FDI. The latter comes on top of government efforts to sign more bilateral and multilateral investment agreements to boost outward FDI. Following this blueprint, at the conclusion of the December Central Economic Work Conference, a number of targets were laid out, one of which is to further open the economy and simplify administrative approvals for overseas direct investment. The State Council has also unveiled an updated "Catalogue of Investment Projects Authorized by the Government (2013)", raising the approval threshold for ODI to "sensitive" areas and industries, while projects in less sensitive areas need only go through a filing procedure (instead of administrative approval by the State Council, Ministry of Commerce and local government.

The government also appears to be facilitating overseas investment by tapping its fast stock of foreign exchange reserves. According to SAFE's 2012 annual report, a special division (SAFE Co-Financing) has been set up to provide entrust loans to domestic enterprises through banks such as the China Development Bank in support of their overseas investment.

RMB internationalization as a facilitator of ODI flows

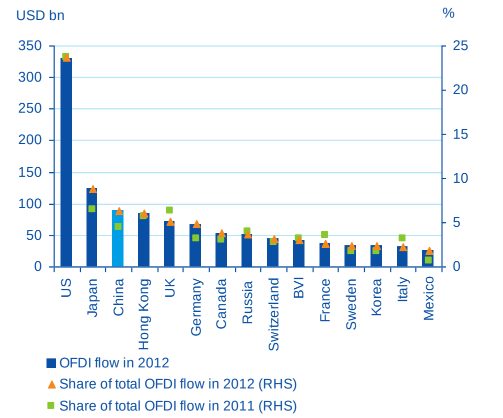
Progress in RMB internationalization over the last few years (see our Economic Watch of November 19, 2013) is influencing the pattern of China's ODI through a number of channels. First, a considerable share of China's ODI has been denominated in RMB. As of 1H 2013, the share of RMB-denominated outward FDI rose to 6.8% from an average of 5.6% in 2012 (Charts 11 and 12), according to our estimates based on balance of payments data and RMB flows provided by the PBoC. A more liberal approvals process is one of the reasons behind the pickup. Although the share is still low compared to usage of RMB in trade settlements (16.8% as of Q3 2013), we expect the share to rise over time. Second, as highlighted in the previous section, a larger share of China's ODI is passing through Hong Kong, most likely due to Hong Kong's role as an offshore RMB center. And finally, the RMB internationalization process and offshore RMB business opportunities provides larger incentives for China's domestic financial institutions to go global.

Chart 1
Non-financial ODI has accelerated…



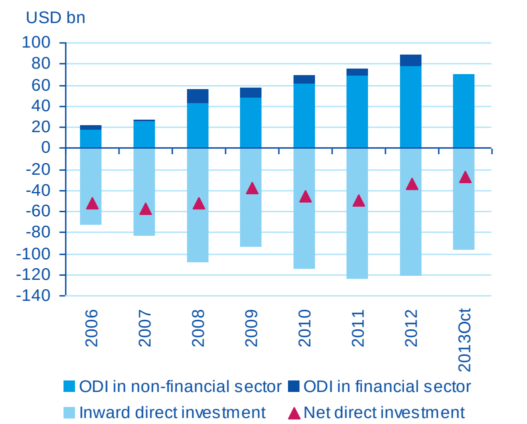
Source: MOFCOM and BBVA Research

Chart 2
…propelling China into 3rd place as the world's largest ODI investor in 2012



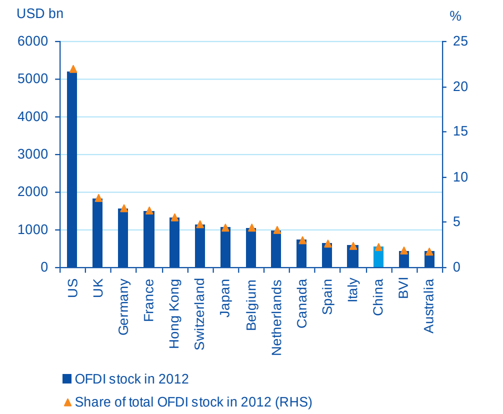
Source: UNCTAD, MOFCOM and BBVA Research

Chart 3
China remains a net recipient of FDI…



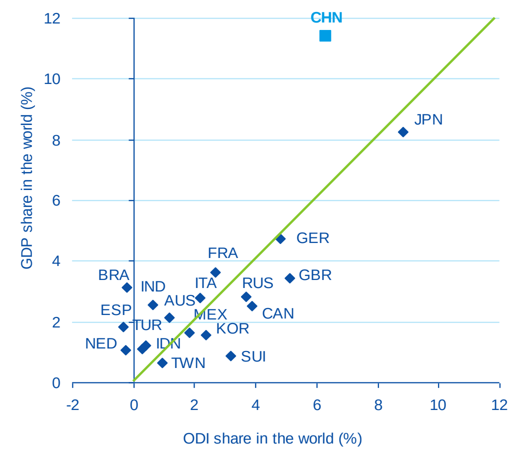
Source: MOFCOM and BBVA Research

Chart 4
…and its stock of ODI is still relatively small



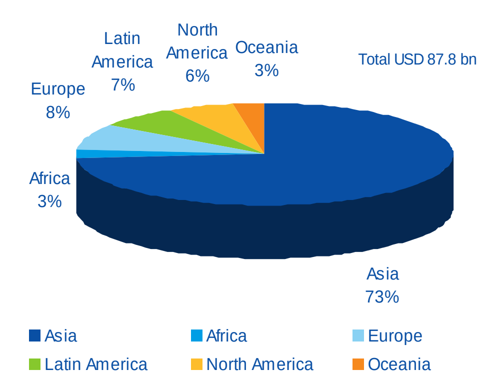
Source: UNCTAD, MOFCOM and BBVA Research

Chart 5
Though increasing, China's share of global ODI remains small in comparison to its GDP share (2012)



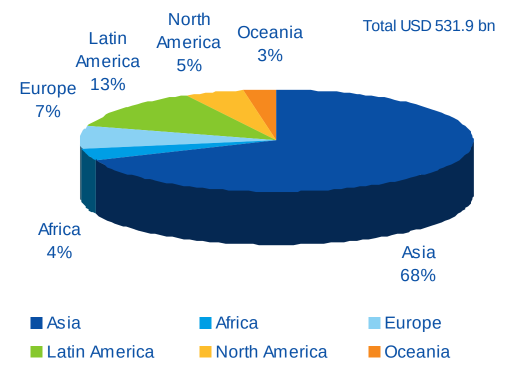
Source: IMF, UNCTAD, MOFCOM and BBVA Research
Notes: United States (GDP: 22.5%, ODI: 23.6%)

Chart 6
Distribution of 2012 ODI flows by region



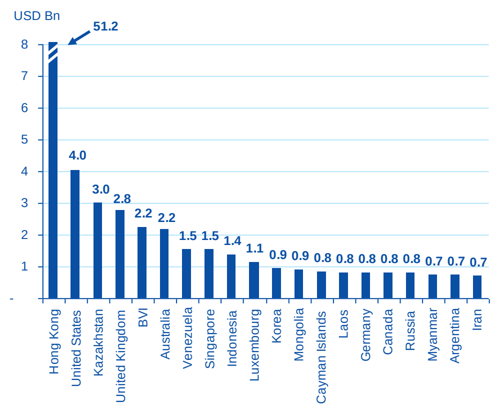
Source: MOFCOM and BBVA Research

Chart 7
Distribution of ODI stock by region (end-2012)



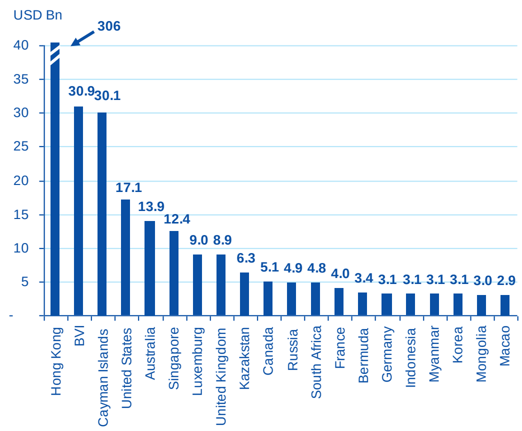
Source: MOFCOM and BBVA Research

Chart 8
ODI flows by country (top 20 in 2012)



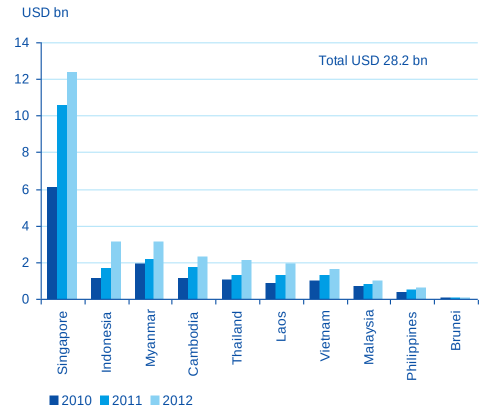
Source: MOFCOM and BBVA Research

Chart 9
ODI stock by country (top 20 at end-2012)



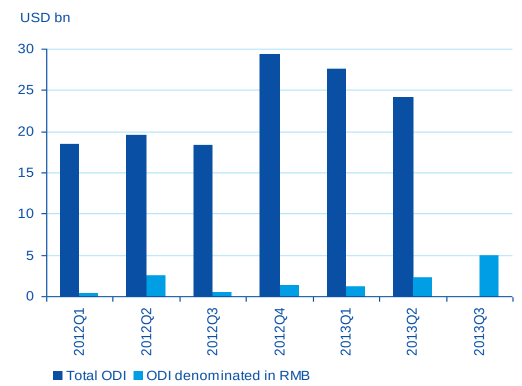
Source: MOFCOM and BBVA Research

Chart 10
ODI stock in ASEAN-10 at end-2012



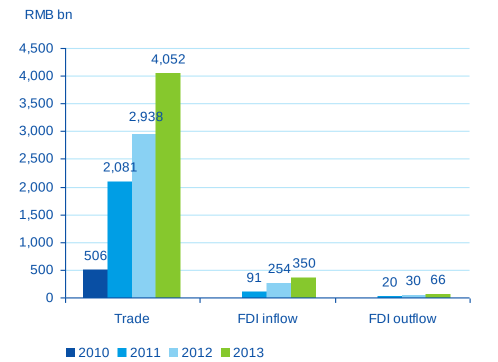
Source: MOFCOM and BBVA Research

Chart 11
The share of ODI denominated in RMB has increased



*ODI from balance of payments provided by SAFE
Source: PBoC, SAFE, CEIC and BBVA Research

Chart 12
Cross-border RMB settlements by type



*As of November 2013
Source: PBoC, CEIC and BBVA Research

Table 1
2012 ODI flow distribution (in billions of USD)

	ODI flow	YoY growth	Main destinations
Asia	64.8	42.4%	HK, Kazakhstan, Singapore
Europe	7.0	-14.7%	UK, Luxembourg, Germany, Russia
Latin America	6.2	-48.3%	BVI, Venezuela, Cayman Islands
North America	4.9	96.9%	US, Canada
Africa	2.5	-20.6%	Angola, Congo (DRC), Nigeria
Oceania	2.4	-27.3%	Australia, New Zealand, Fiji

Source: MOFCOM and BBVA Research

Table 2
2012 ODI Stock distribution (in billions of USD)

	ODI stock	Main destinations
Asia	364.4	HK, Singapore, Kazakhstan, Myanmar
Latin America	68.2	BVI, Cayman Islands, Venezuela, Brazil, Argentina, Peru, Ecuador
Europe	37.0	Luxembourg, UK, Russia, France, Germany
North America	25.5	US, Canada
Africa	21.7	South Africa, Zambia, Nigeria, Algeria, Angola
Oceania	15.1	Australia, PNG, New Zealand, Samoa

Source: MOFCOM and BBVA Research

Table 3
China's ODI by sectors (2005 – 2012) USD million

	FDI outflow								Stock as of 2012
	2005	2006	2007	2008	2009	2010	2011	2012	
Leasing & business service	4942	4522	5607	21717	20474	30281	25597	26741	175698
Financial Services	0	3530	1668	14048	8734	8627	6071	10071	96453
Mining	1675	8540	4063	5824	13343	5715	14446	13544	74784
Wholesale and Retail Trade	2260	1114	6604	6514	6136	6729	10324	13049	68212
Manufacturing	2280	907	2127	1766	2241	4664	7041	8667	34140
Transport, Storage & Post	577	1376	4065	2656	2068	5655	2564	2988	29227
Construction	82	33	329	733	360	1628	1648	3245	12856
Real Estate	116	384	909	339	938	1613	1974	2018	9581
Production and Supply of Electricity, Gas & Water	8	119	151	1313	468	1006	1875	1935	8992
Scientific Research and Technical Service	129	282	304	167	776	1019	707	1479	6793
Agriculture, Forestry, Husbandry, Fishing	105	185	272	172	343	534	798	1461	4964
Information Transmission, Computer Service	15	48	304	299	278	506	776	1240	4820
Residential & Other Service	63	112	76	165	268	321	329	890	3581
Culture, Sport & Recreation	0	1	5	22	20	186	105	196	794
Accommodation & Catering Trade	8	3	10	30	75	218	117	137	763
Education	0	2	9	2	2	2	20	103	165
Water Conservancy, Environ & Public Utility Mgt	0	8	3	141	4	72	255	34	71
Health Care, Social Security & Welfare	0	0	1	0	2	34	6	5	47
Total	12,261	21,164	26,506	55,907	56,529	68,811	74,654	87,804	531,941

Source: MOFCOM and BBVA Research

Table 4
2012 ODI flow by top regions: USD billion

	ODI flow	Major industries
Hong Kong	51.2	Leasing & Business Service, Wholesale & Retail Trade, Financial Services
United States	4.0	Mining, Manufacturing, Financial Services, Wholesale & Retail Trade
Kazakhstan	3.0	Mining, Transport, Professional and Technical Services
United Kingdom	2.8	Transport, Financial Services, Manufacturing, Business Service
BVI	2.2	Business services
Australia	2.2	Mining, Agriculture, Financial Services, Wholesale & Retail Trade
Venezuela	1.5	Mining, Construction, Professional and Technical Services
Singapore	1.5	Wholesale & Retail Trade, Business services
Indonesia	1.4	Mining, Production of Electricity, Gas & Water, Agriculture
Luxembourg	1.3	Business services, Production of Electricity, Gas & Water, Financial Services

Source: MOFCOM and BBVA Research

Appendix:
China's ODI Policy Framework

Table 5.1
China's ODI Policy Development

Phase 1: Tight Controls 1979–1983	Restrictive attitude toward ODI due to ideological skepticism, inexperience, and low foreign exchange reserves. Only specially designated trade corporations could apply for ODI projects. No regulatory framework existed; firms had to apply for direct, high-level approval from the State Council on a case-by-case basis.
Phase 2: Cautious encouragement 1984–1991	As global markets gained more importance, the government gradually started to encourage ODI projects that generated foreign technology, control over resources, access to overseas markets, and foreign currency. The first regulatory framework for ODI was drafted in 1984-85, allowing companies other than trading firms to apply for ODI projects. However foreign exchange reserves were still at a low level and only firms that earned foreign exchange from overseas activities could qualify for ODI projects.
Phase 3: Active encouragement 1992–1996	The post-Tiananmen decision to accelerate economic reforms and global integration led to a policy of more active encouragement of ODI. The goal was to increase the competitiveness of Chinese businesses, with a special focus on 100 plus state-owned national champions. The foreign exchange regime shifted from an "earn-to-use" to a "buy-to-use" policy and the ODI approval procedures were gradually eased and localized.
Phase 4: Stepping back 1997-1999	Government tightened regulatory processes for ODI projects and recentralized foreign exchange acquisition against the backdrop of the Asian financial crisis, which revealed that many firms had used ODI projects for illegal and speculative transactions, leading to heavy losses of state assets and foreign exchange reserves.
Phase 5: Formulation & implementation of the "Go-out" policy 2000–2006	In anticipation of WTO accession and growing competition in domestic markets, policymakers returned to their previous stance of encouraging ODI and announced a policy package aiming at supporting Chinese firms from various sectors to "go abroad". For the first time that the "Go-out" strategy has been adopted in the "10th Five-year Plan". In 2004, the regulatory process was reformed and foreign exchange controls were further eased and localized. Central officials and local governments begun to provide broad and active political and practical assistance for firms with overseas expansion plans.
Phase 6: Growing political support for transnational corporations and a new push for liberalization 2007–2009	Policymakers' support for outbound FDI further increased both because of China's massive foreign exchange reserves (surpassing $2 trillion in 2009) and the need to build up competitive transportation corporations to sustain a change in China's economic growth model. A new regulatory framework implemented in May 2009 further eased and decentralized the approval procedures. New rules proposed by SAFE in the same month will significantly ease the foreign exchange management for overseas projects and broaden the sources of financing available for outbound investment.
Phase 7: Accelerating the "Go-out" strategy during the new "12th Five-year Plan" period (2011-2015) 2010–present	In the "12th Five-year Plan", the government emphasized acceleration of the "Go-out" strategy. The new outline encourages Chinese enterprises to expand overseas under policy guidance based on the principals of market orientation and corporate autonomy. It implies a shift to a more balanced weighting of both inward and outward FDI. Meanwhile, the "Go-out" policy is also linked with the ongoing process of RMB internationalization. The PBoC announced new rules for promoting FDI outflows with RMB settlements in early 2011. The blueprint released after the "Third Plenum" in mid-November 2013 calls for deeper reforms of investment regime for both FDI and ODI, and a dominant role of enterprises in the investment. The statement released after December's Central Economic Work Conference (CEWC) lays out six targets, which includes simplification of approval process for China's direct investment overseas in pursuit of further opening up the economy.

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

Table 5.2

Updates on the regulatory framework for ODI

	Approval Process
State Council Catalogue of Investment Projects Authorized by the Government (2013) Effective December 2, 2013	• Investments need approval from the State Council if the volume exceeds $1 billion and if it is to take place in a politically sensitive territory or industry (as defined by the authorities). • Besides the above investment projects, investment by central or local enterprises need to go through filing procedures to the State Council if the investment volume exceeds $300 million • Chinese enterprises need to obtain approval from the MOFCOM if the enterprise invest and establish new overseas firms in a politically sensitive territory or industry (excluding financial institutions). • As for the other scenarios, central enterprises need to go through filing procedure to the MOFCOM, local enterprises need to go through filing procedure to the provincial government.
China's National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and the Taiwan Affairs Office of the State Council "Measures for the Administration of the Mainland Enterprises' Investment in Taiwan Region" Effective November 9, 2010	• A specific guideline under the current regulatory framework to promote investment cooperation between both sides of the Straits • Chinese enterprises investing in Taiwan need to approval from the NDRC at the provincial and central level. Central enterprises should directly apply to the central NDRC. The Taiwan Affairs Office of the State Council also provides comments. • Chinese enterprises need to obtain approval from the MOFCOM if the enterprise invest and establish new oversea firm in Taiwan. Central enterprises should directly apply to the central MOFCOM.
Ministry of Commerce (MOFCOM) Administrative measures on regulation of outbound investment Effective May 1, 2009	• All outbound investments need to be submitted to MOFCOM for approval; outbound investment is defined as (a) establishing new overseas firms; (b) merging with, acquiring, or obtaining controlling stakes in an existing firm; or (c) reinvestment in an existing overseas subsidiary. • An investment needs to be approved by the central MOFCOM if the investment volume exceeds $100 million, involves an offshore purpose vehicle for the purpose of listing overseas, if it concerns the interests of multiple countries, or if the investment is to take place in a politically sensitive territory (as defined in a list by MOFCOM and other relevant authorities). • An investment needs approval by provincial-level MOFCOM authorities if the investment volume is between $10 million and $100 million, or if the investment is made in the areas of energy and natural resources. • If the investment is below $10 million and does not meet any of the above mentioned criteria, it qualifies for a special approval procedure: The application can be submitted electronically to the responsible MOFCOM bureau (local offices for local firms, central MOFCOM for centrally administered firms); the approval process should not take more than three business days. • If approved, firms get an outbound investment certificate, which they can use for the following 2 years to proceed with other necessary formalities, for example foreign exchange purchase or bank loans. • In addition to MOFCOM approval, investors must also consider the interests of other competent government agencies, if applicable; this includes entities such as National Development and Reform Commission (NDRC), the State Administration of Foreign Exchange (SAFE), the State-Owned Assets Supervision and Administration Commission (SASAC), or industry regulators such as the China Banking Regulatory Commission (CBRC) or the China Insurance Regulatory Commission (CIRC).
	Foreign exchange management
State Administration of Foreign Exchange (SAFE) Draft regulations of foreign exchange administration for domestic enterprises' overseas direct investments Draft rules published for comment in May 2009 The People's Bank of China (PBoC) Draft "Administrative Measures for the Pilot RMB Settlement of Outward Direct Investment" to assist in the pilot RMB settlement in cross-border trade and provide conveniences for banking financial institutions and domestic institutions to conduct the RMB settlement of outward direct investment (ODI). Announcement No.1 [2011] Effective January 6, 2011	• Firms will no longer have to submit an application including the source of funding for approval to SAFE; instead, companies must register at the local SAFE bureau and can report the funding source after the investment took place. • Companies will be allowed to use a broader range of funding sources for overseas investments than in the past: they can use their own foreign exchange, recycle retained profits from overseas, and purchase foreign exchange with renminbi; renminbi-denominated ODI will also be permitted on a trial basis. • Domestic institutions will be allowed to provide loans, financing guarantees, and follow-up financing for overseas firms in which they are invested. • Remittances will only have to be registered ex post instead of being approved in advance, and early-stage expenses of up to 15 percent of the total investment volume will be allowed. • SAFE will further streamline its administrative procedures with other regulatory authorities; there will be an annual joint examination of outbound FDI projects together with MOFCOM. • The People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) shall administer the pilot RMB settlement of outward direct investment pursuant to the "Administrative Measures for the Pilot RMB Settlement of Outward Direct Investment".
State Administration of Foreign Exchange (SAFE) Notice on the administration of cross-border loans by domestic enterprises Effective August 1, 2009	• All firms that meet certain standards will be allowed to make cross-border loans to overseas units. • Eligible firms can transfer up to 30 percent of the value of their total equity to offshore subsidiaries. • The permitted sources of loan funds include firms' own foreign exchange holdings, renminbi-purchased foreign exchange, and other funds approved by local SAFE bureaus.

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

Table 6

Top 50 Non-Financial Enterprises with ODI Stock (2012)

Enterprise	Change from 2011	Rank 2012	Rank 2011	Rank 2010
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	19
China Resources (Holdings) Co.,Ltd.	–	5	5	4
China Ocean Shipping (Group) Company	–	6	6	5
Aluminum Corporation of China	↑	7	9	7
Sinochem Corporation	↑	8	10	9
China Merchants Group	↓	9	8	8
China State Construction Engineering Corporation	↑	10	13	11
China Unicom Corporation	–	11	11	10
China Minmetals Corporation	↓	12	7	12
China National Chemical Corporation	↑	13	14	22
CITIC Group	↓	14	12	16
China National Cereals,Oils & Food suffs Corp.	–	15	15	6
China National Aviation Holding Corporation	–	16	16	13
State Grid Corporation of China	↑	17	24	34
SinoSteel Corporation	↓	18	17	15
China Three Gorges Corporation	↑	19	42	NA
SINOTRANS Changjiang National Shipping (Group) Corporation	↓	20	18	14
China Shipping (Group) Company	↓	21	19	17
China Huaneng Group	↓	22	20	18
HNA Group	↑	23	34	NA
Huawei Technologies Co.,Ltd.	↑	24	27	47
China Nonferrous Metal Mining & Construction (group) Co.,Ltd.	↑	25	29	28
GDH Limited	↓	26	22	30
China North Industries Group Corporation	↓	27	21	31
China Communication Construction Company Ltd.	–	28	28	29
Shanghai Baosteel Group Corporation	↑	29	43	38
Shanghai Geely Zhao Yuan Investments International Ltd.	↑	30	NA	NA
China Power Investment Corporation	↓	31	26	21
Yanzhou Coal Mining Company Limited	↓	32	30	44
China Metallurgical Group Corp.	↓	33	23	20
Jinchuan Group Ltd.	↑	34	52	50
Legend Holdings Ltd.	↓	35	25	26
SAIC Motor Corporation, Ltd.	↑	36	58	NA
SINOHYDRO Co., Ltd	↓	37	36	33
Wuhan Iron & Steel (Group) Corporation	↓	38	35	32
Shanghai Pharmaceuticals Holding Co.,Ltd.	↑	39	57	NA
Aviation Industry Corporation of China	↑	40	41	45
China National Travel Service (HK) Group Corporation	↓	41	33	NA
Shum Yip Holdings Company Limited	↓	42	32	27
ZTE Corporation	↑	43	44	23
Anshan Iron & Steel Group Corporation	↓	44	37	36
China General Nuclear Power Group	↑	45	47	39
Shenhua Group Corporation Ltd.	↑	46	51	37
Guangzhou Yuexiu Holdings Limited	↓	47	45	49
Bright Food (Group) Co.,Ltd.	↑	48	NA	NA
Changsha Zoomlion Heavy Industry Science & Technology Development Co., Ltd.	↓	49	38	NA
Hunan Valin Iron & Steel (Group) Co. Ltd	↓	50	39	24

Notes: NA if the company was not in the top 50 in the previous year.
Source: MOFCOM

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