

Xiuping Zhang
Bruce P. Corrie

Investing in China and Chinese Investment Abroad



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Introduction

This book offers an overview of foreign direct investment flowing in and out of China. It offers a historical perspective on the evolution of foreign direct investment both internally and externally and specific details by country and region of the world.

The Part I of the book focuses on FDI flows into China.

Since 1993, China has been the largest developing country in the world to attract foreign direct investment (FDI) and surpassed the US in 2002 in global FDI flows. We can roughly divide the development of FDI in China in four stages.

Stage one was during the period 1979-1982 when China promulgated a law that encouraged FDI into the country. Most of the investment flows were exploratory as the economic infrastructure in the country was not very developed to protect foreign investors.

Stage two during the period 1983-91 was when the growth in FDI occurred as policies became more flexible. Coastal cities and economic development zones were the first areas to experience this growth.

Stage three during the period 1992 to 2000 is when rapid development in FDI flows occurred in China as six cities along the Yangtze river, 13 inland boundary cities and 18 provincial capital cities were prepared to receive FDI opportunities.

Stage four which was from 2000 to the present day is the period of a more mature FDI environment especially after China became a member of the WTO in 2001. For example the number of foreign projects increased from 26, 140 in 2001 to 37,871 in 2007 and the value of FDI increased from \$46 billion to over \$74 billion during that time period.

In terms of sectoral focus of FDI, manufacturing was the first to be open to FDI flows. The service sector was opened later and is currently showing the fastest growth rate.

In terms of regional flows of FDI, the eastern region of the country has attracted the most with smaller flows to the middle and western regions of the country.

While FDI flows come to China from over 150 countries, the bulk of the flows of investments come from a few countries and regions. The top ten areas are Hong

Kong, Virgin Islands, Japan, USA, Singapore, Taiwan of China, South Korea, Germany, UK and France. Hong Kong is the largest source of FDI into China.

Part II of the book focuses on Chinese FDI overseas.

There are three stages in the history of Chinese foreign direct investment overseas.

The Beginning Stage extended from 1979 to 1991. It began with the launch of the Friendship Services Corporation of Beijing in partnership with the Wan Yi Itochu corporation that established the JingHe company in Tokyo in 1979.

The Developing Stage extended from 1992 to 2001. During this period the government began to encourage export led growth and overseas investment. By the end of 2001 6610 overseas Chinese enterprises were approved with a total investment of \$13.23 billion.

The third stage or Fast Development Stage extended from 2002 to the present. While there has been fluctuation in the amount of investment because of global crises, in 2013 there were 5090 Chinese companies in 156 countries with a total investment of \$90.17 billion.

Overall, Asia and Latin America have been the main focus of Chinese FDI. Chinese investment in African countries are unique in the sense that they involve transfer of technology to the local country.

The distribution of Chinese FDI follows two trends: it is diversified across industries and the structure of investments has changed between the primary, secondary and tertiary sectors with a growing presence in the tertiary sector.

Part I
Investing in China

Chapter 1

History of Foreign Investment in China

Foreign direct investment in China started in 1979 from the first Sino-foreign joint ventures called Beijing Aviation Food Co., LTD. Since then, foreign direct investment in China increased in a dramatic speed. Since 1993, China has become the largest developing country in the world to attract foreign direct investment (FDI), and in 2002 it surpassed the United States as the world's largest recipient of foreign direct investment. At end of 2015, China has approved a total of 838,087 foreign investment projects, and the amount of actual utilization of foreign capital has accumulated to 1479.401 billion dollars.¹ Substantial FDI provided requisite capital, advanced technology and management experience for China, and promoted the development of China's economy to a great extent. On the whole, FDI has occupied a pivotal position in the Chinese economy, and China has become one of the top destinations of FDI.

1.1 History of Foreign Direct Investment in China

Since economic reforms that opened China to the world economy FDI flows have increased dramatically. There are four main stages in the evolution of FDI policy in China.

Stage one (1979–1982) is the initial stage of FDI in China. In the year July 1st 1979, China passed and promulgated *Law of the PRC on Chinese-Foreign Equity Joint Ventures*, which encouraged FDI and protected the interests of foreign investment. But most of the foreign investments were exploratory because of the incomplete Chinese law, poor infrastructure and low policy transparency. As a result, the investment enterprises were very few and the corresponding amount of

¹Ministry of Commerce of the People's Republic of China.

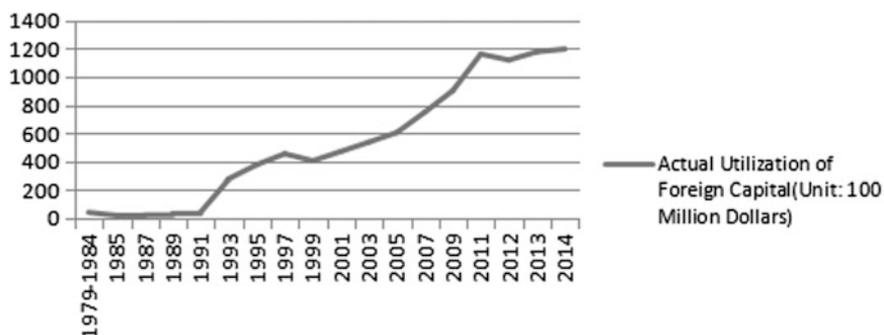


Fig. 1.1 Actual utilization of foreign capital in China from 1979 to 2014

Table 1.1 Utilization of FDI in China from 1979 to 2014 (Unit: 100 Million Dollars)

Year	Project number	Contracted foreign capital	Foreign capital actually utilized
1979-1984	3724	97.50	41.04
1985	3073	63.33	19.56
1987	2233	37.09	23.14
1989	5779	56.00	33.92
1991	12,978	119.77	43.66
1993	83,437	1114.36	275.15
1995	37,011	912.82	375.21
1997	21,001	510.03	452.57
1999	16,918	412.23	403.19
2001	26,140	691.95	468.78
2003	41,081	1150.69	535.05
2005	44,001	1890.65	603.25
2007	37,871	-	747.68
2009	23,435	-	900.33
2011	27,712	-	1160.11
2012	24,925	-	1117.16
2013	22,773	-	1175.86
2014	23,778	-	1195.62

Data Source China Statistical Yearbook (2015)

investment was not enough. The foreign capital actually utilized was only 1.119 billion dollars in 4 years.

Stage two (1983-1991) is the growth stage of FDI. In this stage, the policies of foreign capital utilization were more flexible. From 1984 to 1985, coastal port cities and some coastal economic development zone were opened up successively, and

more preferential policies were given to the foreign investment. Thus, FDI had a rapid growth in this stage. The amount of foreign capital actually utilized in 1983 was 0.636 billion dollars, and it was 4.366 billion dollars by the end of 1991.

Stage three (1992–2000) is the rapid development stage of FDI. After Deng Xiaoping's speech in 1992, the State Council decided to open up six cities along the Yangtze River, 13 inland boundary cities and 18 provincial capital cities to enlarge the opening up and improve the investment environment, which promoted the absorption and utilization of foreign capital to a new level. In the year 1992, the foreign capital actually utilized in China was 11.008 billion dollars, and it reached to 45.257 billion dollars in 1997 even under the influence of Asian financial crisis. From 1998 to 2000, they were all above 40 billion dollars.

Stage four (2001-present) is the comprehensive development stage of FDI. China became a member of WTO in December 2001. And China promised to have a large reduction of tariff and reduce non-tariff measures, to have a more opened investment area and methods, as well as a more public and transparent trade and investment policy. These changes marked that China's opening up has changed from the policy stage to the institutional stage, from government-oriented to the market-based mode, which has established the system foundation for the new stage of China's attraction of foreign investment.² In the year 2001, the number of new foreign invested projects was 26,140, and the amount of foreign capital actually utilized was 46.878 billion dollars. In the year 2007, the number was 37,871 and the amount was 74.768 billion dollars. In addition, the number was 23,778 and the amount was 119.562 billion dollars in the year 2014. The historical data showed that from 2010 to 2014 the number of new foreign invested projects and the amount of foreign capital actually utilized were tending towards stability.

1.2 The Industrial Structure of FDI in China

The industrial structure of China is mainly divided into three types: agriculture-based primary industry, manufacturing-based secondary industry and service-based tertiary industry. In the below Table 1.2, we can analyze the industrial distribution according to the actual investment amount and proportion of FDI in China among the three main industries from the year 2005 to 2014.

According to Table 1.2, we can see that FDI has changed dramatically from being primarily in the secondary sector in 2005 to highest in the tertiary sector in 2014. There is hardly any FDI in the primary sector. Service-based tertiary industry opened up later, but according to the data we can see clearly that its development speed was very fast, for the percentage of its foreign capital actually utilized was

²Wang (2004).

Table 1.2 Industrial structure of FDI in Mainland China from 2005 to 2014 (Unit: 10 Thousand Dollars)

Industry	2005		2007		2009		2011		2013		2014	
	Actual amount	Pct. (%)										
Total	6,032,469	100	7,476,789	100	9,003,272	100	11,601,100	100	11,758,620	100	11,956,156	100
Farming, forestry, animal husbandry and fishery	71,826	1.19	92,407	1.24	142,873	1.59	200,888	1.73	180,003	1.53	152,227	1.27
Mining Industry	35,495	0.59	48,944	0.65	50,059	0.56	61,279	0.53	36,495	0.31	56,222	0.47
Manufacturing industry	4,245,291	70.4	4,086,482	54.7	4,677,146	51.9	5,210,054	44.9	4,555,498	38.7	3,993,872	33.4
Production and supply of electric power, gas and water	139,437	2.31	107,255	1.43	211,206	2.35	211,843	1.83	242,910	2.07	220,290	1.84
Construction industry	49,020	0.81	43,424	0.58	69,171	0.77	91,694	0.79	121,983	1.04	123,949	1.04
Transportation, warehousing and postal industry	181,230	3.00	200,676	2.68	252,728	2.81	319,079	2.75	421,738	3.59	445,559	3.73
Information transmission, computer services and software industry	101,454	1.68	148,524	1.99	224,694	2.49	269,918	2.33	288,056	2.45	275,511	2.30
Wholesale and retail trade	103,854	1.72	267,652	3.58	538,980	5.99	842,455	7.26	1,151,099	9.79	946,340	7.92
Hotels and catering services	56,017	0.93	104,165	1.39	84,412	0.94	84,289	0.73	77,181	0.66	65,021	0.54
Financial industry	21,969	0.36	25,729	0.34	45,617	0.51	190,970	1.65	233,046	1.982	418,216	3.49
Real estate	541,807	8.98	1,708,873	22.9	1,679,619	18.7	2,688,152	23.2	2,879,807	24.5	3,462,611	28.9
Tenancy and business services	374,507	6.21	401,881	5.38	607,806	6.75	838,247	7.23	1,036,158	8.81	1,248,588	10.4

(continued)

Table 1.2 (continued)

Industry	2005		2007		2009		2011		2013		2014	
	Actual amount	Pct. (%)										
Scientific research, technical services and geological prospecting industry	34,041	0.56	91,668	1.23	167,363	1.86	245,781	2.12	275,026	2.34	325,466	2.72
Water resources, environment and public facilities management	13,906	0.23	27,283	0.36	55,613	0.62	86,427	0.74	103,586	0.88	57,349	0.48
Resident services and other services	26,001	0.43	72,270	0.97	158,596	1.76	188,357	1.62	65,693	0.73	71,813	0.60
Education	1775	0.03	3246	0.04	1349	0.02	395	0.00	1822	0.02	2097	0.02
Health, social security and social welfare	3926	0.07	1157	0.02	4283	0.05	7751	0.07	6435	0.05	7757	0.06
Culture, sports and entertainment	30,543	0.51	45,109	0.60	31,756	0.35	63,455	0.55	82,079	0.69	82,338	0.69
Public management and social organization	370	0.00	44	0.00	1	0.00	66	0.00	5	0.00	930	0.00
Primary industry	71,826	1.191	92,407	1.236	142,873	1.587	200,888	1.732	180,003	1.531	152,227	1.273
Secondary industry	4,469,243	74.09	4,286,105	57.33	5,007,582	55.62	5,574,870	48.05	4,956,886	42.16	4,394,333	36.75
Tertiary industry	1,491,400	24.72	3,098,277	41.44	3,852,817	42.79	5,825,342	50.21	6,621,731	56.31	7,409,596	61.97

Data Source: China Statistical Yearbook

only 24.72%. It's 42.79% in 2009, and by the year 2014, it was 61.97%. Agriculture-based primary industry has small proportion in the amount of foreign capital actually utilized which were all between 1 and 2% from the year 2005 to 2014. Thus, the industrial structure of FDI was unbalanced.

Secondly, the distribution of foreign investment was unbalanced in the secondary industry. Most of the investment is in the manufacturing sector which has held steady at over 90 percent. All other subsectors within the secondary sector had only around 10 percent of FDI.

Finally, the distribution of foreign investment was also unbalanced in the tertiary industry. Most of the growth in the FDI in the tertiary sector occurred in the real estate area growing from around 9 percent in 2005 to 29 percent in 2014.

1.3 Regional Distribution of FDI in China

Since the reform and opening up, China has adopted the opening-door policy of gradually moving from the coastal areas in inland China. From the point of the regional structure, the regional distribution of FDI in China was unbalanced, among which the eastern region was the main area to attract investment, while the central and western regions took a small portion of the investment. The regional distribution of FDI in three major areas in China from 1985 to 2014 is in the following Table 1.3.

According to the data of the three main regions, we can see that the eastern region has attracted most of the FDI from 1985 to 2014, during which period the percentage are all above 82%, and it reached to 93.12% in 1990. But the middle and the western region only took 7.24 and 5.73%. The mid-western region always took a small proportion, in which the percentage of the middle region tended to rise slowly from 5.24% in 1985 to 10.59% in 2014 and the percentage of the western region tended to decline from the year 1990 to 2000, which once dropped to 2.45%, then rose slowly in the year 2000, and the percentage rose to 6.84% in 2014.

The data of the provinces and cities showed that Guangdong Province in the eastern region opened up earlier and it attracted up to 49.42% of the FDI, which nearly took up a half of the total. After 1990s, it declined gradually, and it stabilized around 15% since 2010. In addition, the percentage of FDI accounted for in the nation's total investment in the eastern region like Jiangsu, Shanghai, Shandong Province increased faster, among which Jiangsu Province only took up 2.55% in 1985, and 18.15% in 2005, and it held steady around 19% thereafter. As the FDI in the provinces of the middle and western region were small, the percentage had larger fluctuation. The top five provinces according to the FDI percentage were Guangdong, Jiangsu, Fujian, Shanghai and Shandong, which all belonged to the Eastern Region.

Table 1.3 Percentages of total foreign investment of provinces and regions of China (1985–2014) (%)

Year	1985	1990	1995	2000	2005	2010	2014
Guangdong	49.42	46.05	28.07	27.97	19.73	16.23	14.80
Jiangsu	2.549	3.899	12.44	15.93	18.15	19.58	18.91
Fujian	8.998	9.310	9.753	8.509	5.143	4.809	4.561
Shanghai	8.159	5.046	9.410	7.835	13.71	13.08	13.97
Shandong	2.703	5.404	6.288	7.367	5.369	4.790	5.245
Liaoning	1.865	7.488	4.150	5.069	5.567	5.687	5.229
Beijing	6.739	8.118	3.708	4.174	4.146	4.593	5.293
Tianjin	4.239	1.075	5.140	2.891	3.879	4.223	3.794
Year	1985	1990	1995	2000	2005	2010	2014
Zhejiang	2.020	1.430	3.631	3.998	6.960	7.059	6.923
Hainan	0.000	2.988	1.884	1.068	0.628	0.999	0.735
Guangxi	2.331	1.037	1.583	1.301	1.004	1.079	0.985
Sichuan	2.179	0.709	1.053	1.083	1.134	2.096	2.180
Hubei	0.607	0.924	1.626	2.339	1.762	1.653	2.046
Hebei	0.625	1.294	1.982	1.684	1.496	1.553	1.635
Hunan	2.070	0.412	1.780	1.682	1.079	1.248	1.219
Heilongjiang	0.300	0.825	1.354	0.746	0.751	0.755	0.632
Henan	0.627	0.331	1.250	1.398	1.407	1.460	1.551
Anhui	0.230	0.394	1.210	0.789	1.059	1.168	1.264
Shaanxi	1.180	1.377	0.779	0.715	0.936	0.694	1.177
Jilin	0.369	0.512	1.078	0.836	1.414	0.859	0.877
Jiangxi	0.796	0.219	0.719	0.563	1.264	1.692	1.764
Shanxi	0.039	0.099	0.330	0.557	0.526	0.882	1.029
Yunnan	0.124	0.215	0.156	0.318	0.574	0.689	0.666
Inner Mongolia	0.199	0.310	0.172	0.262	0.861	0.894	0.695
Guizhou	0.742	0.308	0.075	0.062	0.157	0.158	0.408
Xinjiang	0.828	0.156	0.153	0.047	0.129	0.200	0.200
Gansu	0.043	0.036	0.215	0.155	0.219	0.243	0.179
Qinghai	0.011	0.000	0.002	0.000	0.047	0.089	0.082
Ningxia	0.021	0.007	0.013	0.043	0.307	0.154	0.137
Xizang	0.000	0.000	0.000	0.000	0.027	0.019	0.034
Chongqing	0.578	0.442	0.613	0.606	0.546	1.345	1.777
Eastern Region	89.64	87.12	88.04	87.80	85.78	83.68	82.08
Middle Region	5.237	7.244	9.518	9.172	10.12	10.61	10.59
Western Region	5.128	5.732	2.446	3.029	4.08	5.687	6.84
The Whole Country	100	100	100	100	100	100	100

Data Source China Statistical Yearbook

Note The division of the region of Mainland China is divided by the State Statistics Bureau. The eastern region includes Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Guangxi and Hainan. The middle region includes Shanxi, Inner Mongolia, Heilongjiang, Jilin, Anhui, Jiangxi, Henan, Hubei and Hunan. And the eastern region includes Sichuan, Chongqing, Guizhou, Yunnan, Xizang, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang

Overall, FDI mainly gathered in the eastern region. Even though the mid-west region accounted for 83.4% of the national territory area and nearly 60% of the national population, the FDI proportion was lower than 18% for ages. Thus, the regional distribution of FDI in the three main regions of China was highly unbalanced.

1.4 The Sources of FDI

FDI flows come to China from all over the world but a few countries and regions dominate these flows into China. According to the statistics, more than 150 countries and regions have invested directly in China. Ranking by the stock of the actual amount of FDI from 1992 to 2014, the main countries and regions are Chinese Hong Kong (732.579 billion dollars), Virgin Islands (141.357 billion dollars), Japan (95.381 billion dollars), the USA (72.656 billion dollars), Singapore (71.853 billion dollars), Taiwan of China (60.22 billion dollars), South Korea (59.975 billion dollars), Germany (23.504 billion dollars), the UK (18.834 billion dollars) and France (13.208 billion dollars). The total amount of the investment from the ten countries and regions is 1289.577 billion dollars, which takes up 86.65% of the total FDI. Among them, Hong Kong of China, Japan, Singapore, Taiwan of China and Korea all belong to Asia, and the amount of FDI they totally attracted is 1020.008 billion dollars, which takes up 68.54% of the total FDI in China. And Hong Kong, China only takes up 49.23% of the total FDI in China. Thus it can be seen that ethnic Chinese investments occupy the leading position in the FDI in China, and the direct investment scales of the world's top five investment countries and regions in China are limited. The main countries and regions that directly invest in China from 1992 to 2014 are as follows in Table 1.4.

Hong Kong is the most important source of FDI in Mainland China. FDI from Hong Kong always accounted for about 50% of the whole FDI in Mainland China from 1992 to 2014, which played an important role in promoting economic development of Mainland China. It can be seen from Fig. 1.2 that before the Asian financial crisis in 1997, the FDI in Mainland from Hong Kong kept increasing at a high speed. After 1997, because of the crisis, the economic growth in Hong Kong was inadequate, and its FDI in Mainland decreased for four years from 1997 to 2000. It started to recover since 2000, but it increased slowly in seven years from 2000 to 2006. It started to grow rapidly since 2007, and it reached to 81.268 billion dollars by the end of 2014, accounting for 67.97% of the annual total amount of FDI.

Table 1.4 Main countries and regions direct investments in Mainland China from 1992 to 2014 (Unit: 100 Million Dollars)

	1992	1994	1996	1998	2000	2002	2004	2006	2008	2010	2012	2014	Total
Hong Kong of China	77.06	198.23	208.52	185.08	155.00	178.61	189.98	202.33	410.36	605.67	655.61	812.68	7325.79
Virgin Islands	0.04	1.28	5.38	40.31	38.33	61.17	67.30	112.48	159.54	104.47	78.31	62.26	1413.57
Japan	7.48	20.86	36.92	34.00	19.16	41.90	54.52	45.98	36.52	40.84	73.52	43.25	953.81
USA	5.19	24.91	34.44	18.98	43.84	54.24	39.41	28.65	29.44	30.17	25.98	23.71	726.56
Singapore	1.26	11.80	22.47	34.04	21.72	23.37	20.08	22.60	44.35	54.28	63.05	58.27	718.53
Taiwan of China	10.53	33.92	34.82	29.15	22.97	39.71	31.17	21.36	18.99	24.76	28.47	20.18	602.3
South Korea	1.20	7.26	15.04	18.03	14.90	27.21	62.48	38.95	31.35	26.92	30.38	39.66	599.75
Germany	0.91	2.64	5.19	7.37	10.41	9.28	10.58	19.79	9.00	8.88	14.51	20.71	235.04
UK	0.39	6.89	13.02	11.75	11.64	8.96	7.93	7.26	9.14	7.10	4.10	7.35	188.34
France	0.47	1.93	4.25	7.15	8.53	5.76	6.57	3.83	5.88	12.38	6.52	7.12	132.08

Data Source China Statistical Yearbook

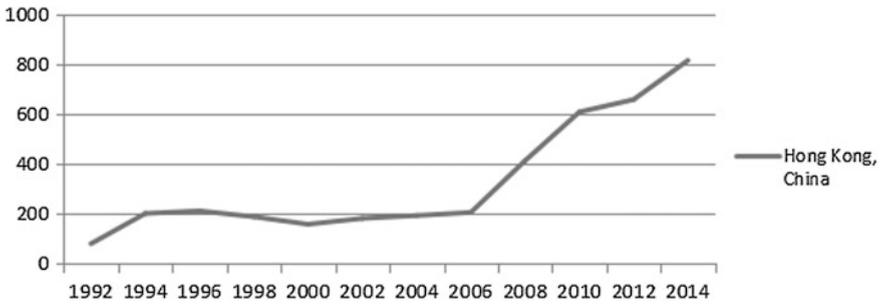


Fig. 1.2 Development and changes of FDI flow in Mainland China from Hong Kong, China

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Chapter 2

Chinese Policies on Encouraging Foreign Investment

The changes of Chinese policies on foreign capital began from the Convention of the 3rd Plenary Session of the 11th Central Committee of the Communist Party of China in December 1978. In this session, the central government decided to shift the focus of the work from political movement to the economic development, to reform and open up, and to accelerate the pace of socialist modernization. Since 1978, the process of FDI encouragement policies of China have been consistent with the reform and opening up. It's an important part of China's economic system reformation. The FDI encouragement policy in China can be summarized into two aspects, namely, FDI regional policies and FDI industrial policies, which will be represented in detail in the following two sections.

2.1 Chinese Regional Policies on Encouraging Foreign Investment

The regional opening up of FDI began from 1979, which undergoes four stages: special economic zone stage (1979–1983), coastal opening zone stage (1984–1991), frontier and inland cities stage (1992–1999) and mid-west area stage (since 2000). The regional FDI encouragement policies of China use the progressive mode which begins from one or two pilot provinces and cities. And the central government will offer them certain preferential policies, economic independent rights and financial support. After a period of trial and experience accumulation, the central government will establish relevant laws and regulations, then extend to other areas.

After further observation and analysis, it can be seen that the progressive mode of regional opening up of FDI presents the feature of recursion. It shows up in three aspects.¹ Firstly, the four stages of regional opening up present the pattern of spot, line and surface. Before 1984, it's the four spots of special economic zones in coastal areas. After 1984, the four spots extended along the coast to the north and the west forming the coastal opening zone. It extended from the coast to the key cities of the frontier and inland after 1992. Then these key cities derived the opening up of the whole northwest area, a surface, after 2000. Secondly, the policy and experience of the previous stage continue to be implemented in the later stage after a little modification, which shows that the policy and experience provide policy basis for the opening up of the later stage. Thirdly, the policy emphasis of the regional opening up is different. Before 1984, direct methods like expanding local autonomy and revenue was the main approach. After 1984, based on the policy and experience of the previous stage, the policy of improving the microscopic environment of the foreign-invested enterprise and the administrative efficiency of the local government was put forward. After 2000, providing a bigger domestic market has become the main policy force and the previous policies have become the assistant role (Table 2.1).

The regional policies of FDI in China can be divided into four stages:

Stage one is the special economic zone (1979–1983). In this stage, the province of Guangdong and Fujian held special economic zone working conferences for four years to discuss the open policy. Finally, they decided to mainly adopt the policy of expanding the economic autonomy of the local government and offer tax benefit directly to the foreign-invested enterprise in the exploration stage. And the segmenting factors can be divided into four kinds: power of examination and approval, foreign exchange fund, financial credit and tax preference.

Stage two is the coastal opening zone (1984–1991). In this stage, the 1st National Foreign Capital Utilization Conference was held regarding the experience and problems in the previous stage in 1983. In September 1983, the State Council issued the *Instruction on Strengthening the Utilization of Foreign Capital*. The specific measures including the tax policy of three years' tax exemptions and two years' reductions in Sino-foreign joint venture enterprises as well as the measures of giving up part of the domestic market and expanding the proportion of overseas market for the joint venture enterprises which had advanced technology or produced short-term domestic products. Later, the policies of the open coastal cities and the open coastal economic areas applied the slightly changed pattern of special economic zone directly. In the year 1986, the State Council issued the *Provisions on Encouraging Foreign Investment*, which focused on improving the micro-environment of the foreign-invested enterprises and the administrative efficiency of the local government.

Stage three is the border and inland cities (1992–1999). In this stage, after summarizing the experience of the previous stage, the central government made the

¹Yin and Lu (2005).

Table 2.1 Regional policies on attracting FDI

Year	Open region	Policy experiences	Relevant laws and regulations
1979–1983	Special Economic Zone	Expand the economic independent right of the local government Surrender parts of the profits to the foreign-funded enterprises directly	<i>Two Reports of Guangdong Provincial Party Committee and Fujian Provincial Party Committee on Foreign Economic Activity and Flexible Measures</i> (1979) <i>Minutes of Guangdong Province and Fujian Province Conference</i> (1980) <i>Working Conference Minutes of Guangdong Province, Fujian Province and Special Economic Zones</i> (1981) <i>Minutes of Certain Questions in the Trial Operation of Special Economic Zones Currently</i> (1982) <i>Instruction on Strengthening the Utilization of Foreign Capital</i> (1983)
1984–1987	Coastal Opening Zone (coastal open city and open coastal economic areas)	Broaden the authority of examination and approval of foreign capital, enlarge the foreign exchange allowance, loans, tax preference, and establish economic and technological development zone, etc. Improve the micro-environment of foreign-funded enterprises Improve the administrative efficiency of the local government	<i>Meeting Minutes of Parts of the Coastal Cities</i> (1984) <i>Meeting Minutes of Pearl River Delta, Yangtze Delta and Hokkien Golden Triangle</i> (1985) <i>Provisions on Encouraging Foreign Investment</i> (1986) Corresponding regional policies attracting foreign capital issued by provinces
1988–1991	Coastal Opening Zone (open coastal economic areas)	Expand foreign investment examination and approval authority, and arrange foreign exchange funds reasonably, etc. Implement relevant policies regulated in <i>Meeting Minutes of Pearl River Delta, Yangtze Delta and Hokkien Golden Triangle</i> (1985) and <i>Supplementary Provisions on the Development of the Export-oriented Economy in the Coastal Areas</i> (1988)	<i>Supplementary Provisions on the Development of Export—Oriented Economy in Coastal Areas</i> (1988) <i>Circular on Expanding the Scope of the Coastal Economic Open Zones</i> (1988) <i>Reply on Enlarging the Scope of Southern Fujian Delta Economic Open Zones</i> (1988) <i>Approval of Expanding the Scope of the Coastal Economic Open Zones in Guangdong Province</i> (1988) <i>Reply on Classifying Jinan City into Coastal Economic Open Zone</i> (1990)
1992–1999	Cities Along the River and the Border, and Inland Provincial Capital Cities Border Cities and Towns	Adopt the policy of coastal open city Confer certain foreign investment approval authority and tax preference, establish border economic cooperation zones and arrange special purpose loan, etc.	<i>Advice on Accelerating the Speed of Reform and Enlarging the Scope of Opening up to Promote a Better and Faster Development of Economy</i> (1992) <i>Circular on Further Opening up Chongqing and Other Cities</i> (1992) <i>Circular on the Further Opening up of Naming, Kunming, Pingxiang and Four Other Border Cities and Towns</i> (1992) <i>Circular on the Further Opening up of Heihe and Three Other Frontier Cities</i> (1992)

(continued)

Table 2.1 (continued)

Year	Open region	Policy experiences	Relevant laws and regulations
After 2000	Mid-West Area	Enlarge the construction fund investment, the transfer payment from the exchequer, financial loan support, tax preference and open wider to the outside world, etc.	<p><i>Circular on Policies and Measures Pertaining to the Development of the Western Region</i> (2000)</p> <p><i>Circular on the Implementation of the Preferential Treatment of Enterprise Income Tax at the Rate of 15% for Three Years for Foreign-Funded Enterprises Located in the Central and Western Regions</i>(2000)</p> <p><i>Suggestions on the Implementation of Policies and Measures Pertaining to the Development of the Western Region</i> (2001)</p> <p><i>Overall Planning of Western Development in the 10th Five-year Plan Period</i> (2002)</p> <p><i>Catalog of Priority Industries for Foreign Investment in Central and Western China</i> (2008, 2013)</p>

Data Resource The data before the year 2003 is from the article "Spiral Rise " Pattern of China Policy for Foreign Direct Investment: Recursion and Transformation written by Yin Fanghua and Lu Minghong. And the data after 2003 is from the website of Ministry of Commerce of the People's Republic of China as well as National Development and Reform Commission

resolution called the *Advice on Accelerating the Speed of Reform and Enlarging the Scope of Opening up to Promote a Better and Faster Development of Economy* to remove obstacles for the attraction of foreign capital and open more domestic market.

Stage four is the Midwest area (since 2000). The central government continued to increase the investment of construction capital, the payment of the financial transfer payment, the financial credit payment and open wider to the outside world with the summary of the previous stage experience. In the year 2000, *Circular on the Implementation of the Preferential Treatment of Enterprise Income Tax at the Rate of 15% for Three Years for Foreign-Funded Enterprises Located in the Central and Western Regions* was introduced. In the year 2002, the Chinese government proposed the *Overall Planning of Western Development in the 10th Five-year Plan Period*, by which the emphasis of using foreign capital shifted from introducing the foreign capital to the advanced technology, modernization management and professional personnel, and the area of using foreign capital from processing industry carried forward to the range of services, and the method of using foreign capital carried forward from attracting mainly FDI to expanding to other kinds of investments, and the management of using foreign investment of the government shifted from administrative approval to legal provision in regulation, guidance and supervision. The *Catalog of Priority Industries for Foreign Investment in Central and Western China* was formulated and revised in 2008 and 2013, which encouraged the foreign investment in the provinces and cities in Central and Western China.

2.2 Chinese Industrial Policies on Encouraging Foreign Investment

Together with the regional opening up of FDI, the industrial FDI policy was formulated and implemented. The industrial opening has passed through four stages: the opening up without policy guidance (1979–1982), priority opening up of the secondary industry (1983–1990), experimental opening up of the tertiary industry (1991–2001) and overall opening up (since 2002). This shows that the opening up of the foreign investment has the same progressive policy mode with the regional opening up of FDI.

According to further observation and analysis, the progressive mode of the industrial opening up of FDI has the feature of transition which mainly displays in three aspects.² Firstly, the four stages of the industrial opening up present the pattern of surface, line and spot. At the initial stage of opening up, the industry and most of the tertiary industry were like a surface which allowed the FDI on the whole

²Yin and Lu (2005).

surface with the opening up deepens, China focused on encouraging projects along the two lines called Productive Projects and the Two Kinds of Projects of the foreign-funded enterprises. Then pilot was carried out in the tertiary industry. At last, it was the overall opening up. Secondly, the industrial structure presents the pattern of transition. At the initial stage, the foreign capitals attracted mostly were labor intensive projects. Then the government adjusted the industrial structure of attracting foreign capital and encouraged the technology-intensive projects and product export projects. Thirdly, the emphasis of the industrial opening up policy is different (Table 2.2).

The industrial policies of FDI in China can be divided into four stage:

Stage one is the opening up without policy guidance (1979–1982). At the initial stage of opening up, the industrial policies were mainly encouragement policies because the industry trends of FDI was not clear and the experience of FDI industrial flow was not enough.

Stage two is the priority opening up of the secondary industry (1983–1990). In this stage, the Chinese government summarized the policy deficiency of providing chance for the transnational corporation to transfer labor intensive projects to China and gave special encouragement for the productive projects and the Two Kinds of Projects of the secondary industry. In 1987, *Temporary Regulations and Its Contents on Directing the Direction of Absorbing Foreign Investment* was formulated which guided the foreign industrial flow. In this stage, the main objective of the foreign investment policy was using the spillover effect of the foreign-funded enterprise to promote the advancement of China's industrial structure. And the tertiary industry was fundamentally included in the limited field.

Stage three is the experimental opening up of the tertiary industry (1991–2001). After the draft of the *Temporary Regulations and Its Contents on Directing the Direction of Absorbing Foreign Investment* in 1987, most of the tertiary industries were restricted and even prohibited. When the economy has developed to a certain level, the relative demand of the tertiary industry will increase. As a result, the State Council promulgated the *Decisions on Accelerating the Development of the Tertiary Industry* in 1992, by which many forms were experimented in the tertiary industry. And the restrictive policies of the tertiary industry were weakened.

Stage four is the overall opening up (since 2002). After the stage of the priority opening up of the secondary industry and the stage of the experimental opening up of the tertiary industry, the vast majority of the industries of our country had foreign investment. After China entering WTO, according to the economic development, the original regulations and catalogs were amended and came into effect in April 1st 2002. Since then every three or four years, National Development and Reform Commission and the Ministry of Commerce will jointly issue the *Catalog for the Guidance of Foreign Investment Industries* (Catalog for short) to adjust the guidance direction of the foreign invested enterprises according to the needs of China's economic development then. Since 2002, the characteristics are as following: first, sticking to enlarge the opening-up and encouraging the FDI; second, linking with the commitments of China's accession into the WTO and further opening up the

Table 2.2 Industrial policies of China in attracting foreign direct investment

Year	Open industry	Policy experiences	Relevant laws and regulations
1979–1982	Industry and mining	Encouragement Policy	<i>Detailed Rules for the Implementation of the Income Tax Law on Sino-Foreign Cooperative Joint Ventures</i> (1980)
	Transport, commerce, tourism, service industry	Unrestricted policy	
1983–1990	Secondary Industry: Productive Projects and the Two Kinds of Projects	Encouragement Policy (Structure Supererogation)	<i>Instructions on Strengthening the Use of Foreign Investment</i> (1983) <i>Implementation Regulations on Enterprise Laws of Sino-Foreign Joint Ventures</i> (1983)
	Tertiary Industry	Restrictive Policy	<i>Provisions on Encouraging Foreign Investment</i> (1986)
	Tertiary Industry: pilot	Weaken Restrictive Policy (Structure Rationalization)	<i>Temporary Regulations and Its Contents on Directing the Direction of Absorbing Foreign Investment</i> (1987)
After 2000	Secondary Industry: the Three Kinds of Projects	Encouragement Policy (Structure Supererogation)	Entering WTO (2001) <i>Catalog for the Guidance of Foreign Investment Industries</i> (2001, 2004, 2007, 2011, 2015)
	Tertiary Industry	Gradually Lift the Restriction (Structure Rationalization)	<i>Instructions on Absorbing Foreign Investment in China</i> (2007, 2013) <i>Special Administrative Measures for the Access of Foreign Investment in the China (Shanghai) Pilot Free Trade Zone (Negative List)</i> (2013) <i>Opinions on Speeding up the Implementation of Free Trade Zone Strategy</i> (2015)

Data resource The data before the year 2003 is from the article “Spiral Rise” *Pattern of China Policy for Foreign Direct Investment: Recursion and Transformation* written by Yin Fanghua and Lu Minghong. And the data after 2003 is from the website of Ministry of Commerce of the People’s Republic of China as well as National Development and Reform Commission

Note (1) The secondary industries in the Productive Projects include: ① energy development industry, building material industry, chemical industry and metallurgical industry; ② machine-building industry, instrumentation industry and manufacturing industry of offshore oil drilling equipment; ③ electronic industry, computer industry and communications equipment manufacturing industry; ④ light industry, textile industry, food industry, pharmaceutical and medical device industries, as well as packaging industry. (2) the Two Kinds of Projects are advanced technology program and product exporting projects; the Three Kinds of Projects are advanced technology program, product exporting projects, as well as high and new technology projects

trade field in service of bank, insurance, business, foreign trade, telecommunications, transportation and law; third, encouraging the FDI and easing the restrictions over the proportion of foreign equity and trade in the western region of China; fourth, playing the role of market competition mechanism and including the general industrial product in the “Permitted” category to promote the upgrading of the

industry and the product structure through competition. Fifth, encouraging the FDI in the comprehensive utilization of resources, renewable resources, environmental engineering and municipal engineering; sixth, encouraging the FDI in the competitive industries of the western region to adapt to the western development strategy; seventh, encouraging the FDI in the “Permitted” category projects that all products will be exported.

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Chapter 3

Development Report of North America

Direct Investment in China

3.1 The United States Investment in China

3.1.1 *Development Tendency of the United States Investment in China*

From the year 2001 to 2002, the United States investment in China experienced dramatic expansion. And the direct investment decreased since 2003. In 2003, the amount was 4.198 billion dollars, which dropped 22.59% compared with 2002. In 2004, it decreased 3.941 billion dollars, which fell 6.13% year-on-year. And in 2005, it reduced to 3.061 billion dollars, which fell 22.33% again. It decreased 2.363 billion dollars compared with the 5.434 billion dollars in 2002 which decreased nearly a half. In the end of 2004, the actual investment amount of the United States surpassed 48 billion dollars which occupied 8.5% of the national foreign investment amount. From 2007 to 2014, the United States investment amount went up a little in the trend of decrease. In 2013, the investment amount was 2.82 billion dollars which increased 8.5% than 2012. But in 2014, the investment amount fell again (Table 3.1).

In recent years, the tendency of the investment in China is growth, but the United States investment in China, which was the main foreign investment source of China, begins to drop. There are mainly two reasons.

From the point of the United States, after years of strong growth of the foreign investment, the speed of the United States investment in the Chinese manufacturing industry began to slow down. The cost of the investment in China had gone up for many of the foreign enterprises because of the increase of the Chinese salary and the land price. And other countries were trying their best to attract investment.

From the point of China: firstly, the implementation effect of the nation's macro control policy began to appear, and the investment restriction of the high pollution and high energy-consuming industry as well as the control of the land resource had restricted the foreign investment inflow in some degree. Since 2002, in order to

Table 3.1 Amount of the United States investment in China from 2001 to 2014 (Unit: Ten Thousand Dollars)

Year	Amount of direct investment	Amount of other investment
2001	443,322	10,900
2002	542,392	13,249
2003	419,851	17,253
2004	394,095	326
2005	306,123	1315
2006	286,509	1071
2007	261,623	3054
2008	294,434	6245
2009	255,499	1932
2010	301,734	663
2011	236,932	1627
2012	259,809	2863
2013	281,987	—
2014	237,074	—

Data Source China Statistical Yearbook

control the high-speed growth of the fixed assets and promote the macro control policy which could promote a favorable circle in the operation of national economy to produce concrete results, the nation restricted many of the investment in the high pollution industry including the foreign investment. And the Ministry of Land and Resources strengthened the cleaning up of the sub-provincial development zones, which had played a role of restriction to the quantitative growth mode that used the cheap land resources to attract investment through the ages.

But in the beginning of 2016, the amount of the United States investment in China had large growth.

There are mainly two reasons: firstly, it's because the investment base was low in 2015. In January 2016, the actual amount of the United States investment was 4.717 billion Yuan, but in the corresponding period of 2015 it was only 0.837 billion Yuan.

Secondly, it connected with China's further opening up and the foreign enterprises confidence in the Chinese market.

From the point of the growth industry, the United States mainly increased the investment in the manufacturing industry, transportation, storage, post, information software, leasing and business service, scientific research and so on in China. And the service industry had a faster growth in the usage of foreign investment in China, while the United States investment in the service industry in China only occupied a small proportion in the whole investment.

3.1.2 The Features of the Investment

(1) Broad area distribution

The area distribution is broad and they are mainly concentrated in the eastern coastal areas.

The area distribution of the United States investment in China has the features that the major projects tend to be concentrated and the small projects tend to be decentralized.

The geographic area of the United States direct investment in China expanded continuously from the special economic zones and the municipalities directly under the central government to the coastal open cities, the economic and technological development zones as well as the inland areas successively.

In the initial stage of the opening up, the United States direct investment in China mainly concentrated in Shanghai, Beijing and Tianjin municipalities directly under the central government, and the special economic zones of Guangzhou and Dalian. In the beginning of the 1990s, the United States direct investment in China nearly covered all provinces. In the late 1990s, the investment tended to concentrate in the eastern coastal cities, especially the Beijing-Tianjin-Tangshan-centered Bohai economical circle, Shanghai-centered Yangtze River Delta and Dongguan-centered Pearl River Delta region. And the concentration trend was continuously to strengthen.

Compared the coastal open cities and the special economic zones with the inland, the investment amount was nearly the same, which indicated that the American investors had a wide range of investment interest in the regions with different advantages, among which the United States had much more investment interest in Beijing, Shanghai and Tianjin municipalities directly under the central government.

(2) Broad industry distribution

The industry distribution is broad, and the investors are mainly multinational corporations and international finance consortium.

The field of the United States investment mainly focused on the energy development and hotel service industry in the earlier stage and later expanded to electron, mining and utilization of the non-ferrous metals as well as the projects of machinery, electron and aviation.

One third of the United States direct investment in China was in the energy development, which was higher than any other industries. Next was the hotel and restaurant-centered service industry which occupied about a quarter of the total amount of the United States direct investment in China. The third was the light industry, spinning and food industry which accounted for about 7%. The machine, electron and telecommunications ranked the fourth and occupied nearly 5%.

Although the center of the United States direct investment in China is still in the energy development and service industry in the point of the accumulated amount, the diversification trend of the United States invested industries is increasingly

obvious. With the saturation of the hotels and restaurants, the investment priority of the United States begins to turn to the manufacturing industry.

According to the data of the national industrial census, American funded enterprise nearly contains all the manufacturing industries. And its investments in the manufacturing industry occupy 73.37% of all investments. The investments mainly distribute in the light industry, chemical engineering, metal machinist, electronics and electricity industry. At present, the American capital have invested dozens of Chinese industries including the heavy chemical industry and the basic industry like metallurgy, chemical engineering, communication and transportation, the light industry like light textile, food, medicine and clothing, as well as the service industry like traveling, building design and information consultant.

In recent years, with the development of the Chinese economy, some of the industries open to the foreigners successively. And American businessmen are gradually accessing to the Chinese service industry like the bank, the insurance, counsel, notarization, resale and so on.

Besides, the American enterprises invest widely in various service industry. The world-famous fast food companies like the McDonald's and KFC have opened nearly ten thousand branches in many cities. The American International Assurance Co. LTD and AIU Insurance Company under American International Group set up commercial branches in Guangzhou and Shanghai.

(3) *High-technology*

The knowledge innovation system is focused on the development and transformation of high technology, and the technology management level of it is high.

The transnational corporations of American invest to set up research and development center in China one after another. And the centers that have already set up have increased the research input. These centers mainly concentrate upon the industry of information communication, biological pharmacy, fine chemicals, and transportation equipment manufacturing. The technological level of the American invested enterprises is usually high.

After the capital increase of the Intel located in the Waigaoqiao Free Trade Zone in Shanghai in 1997, the flash memory that it produced has been the new development trend of the world's storage.

The technology that introduced by Beijing Jeep Co., LTD has advanced the Chinese jeep manufacturing technology for 30–40 years in one year.

(4) *Localized operation*

As the FDI in China has started early, they emphasize the localized operation.

In terms of time, the United States is the first country that invest in China. The growth rate of the United States investment in China in the 1980s substantially exceeded the rate in other countries of Association of Southeast Asian Nations in the corresponding period. Since the investments of the United States became the world's number one again in 1991, the investment proportion in the emerging market of the Asian-Pacific region has significant increase. And the FDI in China has the fastest growth. From 1982 to 1989, the average yearly increase rate of the

United States investment in China was 43.2%. From 1991 to 1995, the growth rate of the United States investment in China was 150%. And it is above 200% from 1996 until now.

And the American invested enterprises pay much attention to the localized operation. In the beginning the reason was to adapt to the requirements of the Chinese laws and regulations, to avoid the trade barriers and to enter the market in advance. With the fast and steady development of the Chinese economy, the escalation of the opening up and the continuous improvement of the investment environment, more and more transnational corporations decided to have a long-term development in China. They took the localized operation as strategy arrangement and strengthened the localization of talent, raw materials provision and production, products research and development as well as the corporate culture to promote the localization process on every side and deeper level.

(5) High productivity and significant economic benefit

China is the country that has the largest population in the world which has vast market requirements, cheap labor force market and rich raw materials. All of that have stimulated the enthusiasm of the American's investment. China is not only the products sales base of the American enterprises but also the manufacturing base of America, which is beneficial to reduce the production cost and raise labor productivity to realize profit maximization of America. The production of Buick which was joint produced by General Motors in Shanghai in 2000 made a profit of 0.6 billion Yuan. In 2002, China was the 17th largest market of Eastman Kodak Company in the world, but China became the largest market in 2007. In 2014, the world's largest retail enterprise Wal-Mart Stores, Inc. had nearly 4000 branches in China and the number was still increasing gradually. The serious drinks produced by Coca-Cola Company has already occupied a quarter of the Chinese drink market, and the net revenue of the company in 2014 was 45.998 billion dollars. These shows that the vast majority of the United States investment in China in production and operation, product distribution, as well as investment recovery are successful.

3.1.3 Industrial Distribution and Major Projects

From 1980s to the early 1990s, the investment area of the United States in China was mainly in the industry of energy development and hotel service and gradually expanded to the industry of non-ferrous metal mining and utilization as well as the industry of machinery, electronic aviation and so on.

In the Fortune Global 500 firms, the number of the enterprises invested by American manufacturing industries occupies 36.7% of the total investment amount of all the manufacturing multinational corporations. The structure of the American invested industries in China have obvious change and the continuously increase of

the investment proportion in the service industry is the most obvious characteristic in the change.

The United States investment in the service industry like finance, insurance and real estate began from the middle of the 1990s. And in 2002 and 2003, the United States sharply reduced the investment in the manufacturing industry and at the same time the investment in China in the service industry showed obvious increase.

In 1994, the stock of the United States wholesale business investment occupied 5.3% of the whole investment stock in China that year. By 2004, the rate increased to 11.8%. From the point of the flow, the proportion increased from 3.6% in 1994 to 32.3% in 2004. In 2014, the transnational corporation investment of the United States in the service industry expanded to several areas. For example, the National City Bank of New York, USA acquired the qualification to handle RMB transactions in Shanghai and launched its branch in Beijing. As the world's largest non-bank financial institution, the GE Capital set up finance company, a sole proprietorship, in Beijing. Generally speaking, the industry that the United States direct investment preferred is the manufacturing industry, which is different from the industry structure of America foreign investment for America FDI generally in the service industry. The total manufacturing industry storage of America outward foreign direct investment in 2004 only occupied 20.2% of its total investment storage. Nowadays, American capital exists in many industries of China which include not only the heavy chemical industry and basic industry like transportation, chemical engineering, metallurgy, but also the light industry like food and medicine as well as the various kinds of service industries. With the Sustained, rapid and sound economic development of China, the American capital begins to increase its investment in service industry like capital, security, banking, insurance and so on.

3.2 Canada

3.2.1 *The Development Tendency of the Canada Investment in China*

According to the statistics of Ministry of Commerce of the People's Republic of China, the bilateral import-export volume in goods between Canada and China was 65.57 billion dollars in 2011, which increased 16.8%. And Canada exported to China 16.94 billion dollars which increased 31.5%. It occupied 3.7% of the total exports which increased 0.4%. And Canada imported from China 48.63 billion dollars which increased 12.5%. It occupied 10.8% of the total import which decreased 0.2%. The trade deficit between Canada and China was 31.7 billion dollars which increased 4.4%. And China was the original country of the largest deficit, the second largest trading partner country, the third largest export destination and the second largest source of imports of Canada (Fig. 3.1).

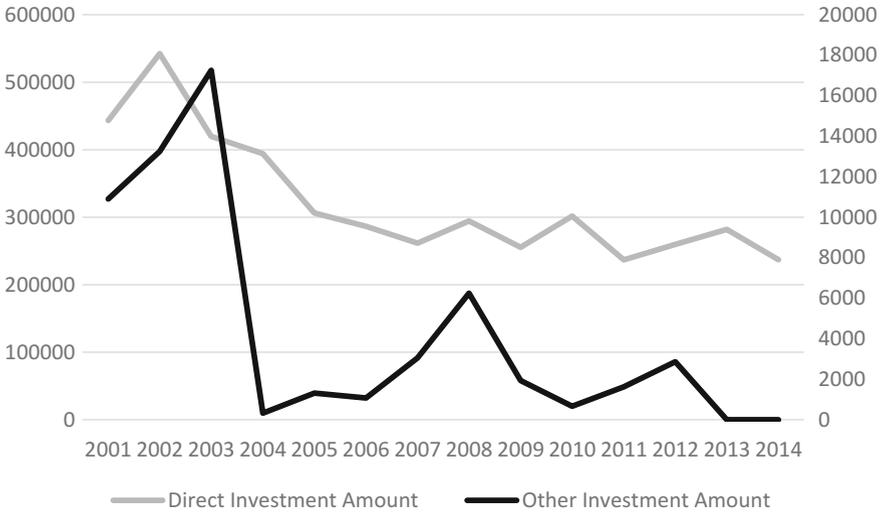


Fig. 3.1 Amount of Canada direct investment in China (2001–2014). *Data Source* China Statistical Yearbook

In 2012, the bilateral import-export volume in goods between Canada and China was 70.12 billion dollars which increased 6.8%. And Canada exported to China 19.37 billion dollars, which increased 14.2%. It occupied 4.3% of the total export which increased 0.5%. And Canada imported from China 50.75 billion dollars which increased 4.3%. It occupied 11.0% of the total import which decreased 0.2%. And China became the second largest export destination of Canada.

In 2013, the bilateral import-export volume in goods between Canada and China was 71.06 billion dollars which increased 1.3%. And Canada exported to China 19.91 billion dollars which increased 2.7%. It occupied 4.4% of the total export which increased 0.1%. And Canada imported from China 51.15 billion dollars which increased 0.8%. It occupied 11.1% of the total import which decreased 0.1%. In 2014, the bilateral import-export volume in goods between Canada and China was 67.06 billion dollars which decreased 5.0%. And Canada exported to China 15.8 billion dollars which decreased 9.7%. It occupied 3.9% of the total exports which increased 0.2%. And Canada imported from China 51.26 billion dollars which decreased 3.5%. It occupied 12.2% of the total imports which increased 0.7%. The trade deficit between Canada and China was 35.45 billion dollars which decreased 0.4%.

From the Table 3.2 we can see that the Canada investment amount in China showed a downward trend. The global financial tsunami caused by American sub-prime mortgage crisis in 2007 had influenced the development of the Canada

economy. Because of the strong dependence on American economy, the economy of Canada was apparently attacked by the financial crisis and the economic effect tends to drop.

3.2.2 Investment Features

The direct investment of Canada enterprises in China generally invest according to the features and strengths of the enterprises. And the investment features are as following:

Firstly, the geographical distribution focuses on both ends. The Canada direct investments in China mainly concentrate on the comparatively developed coastal provinces, the northeast and northwest regions where natural resources are rich. The coastal provinces have comparatively perfect infrastructure, rich human resources, convenient transportation and relatively larger market. And the competitive industries of Canada are mineral industry, oil development, forestry and breeding industry. As a result, Canada invests in the northeast and northwest regions of China where natural resources are rich according to their industrial strength.

Secondly, investment industries have a wide distribution. The enterprises of Canada invest in the agriculture, manufacture and service industry especially the nonproductive fields like cultivation industry, forestry, telecommunication, petrochemical industry and bank where have large-scale investment. In recent years, the proportion of the Canada nonproductive investment in China gradually increased, and in some region, the investments in the nonproductive international trade and service have exceeded the productive industry.

Table 3.2 Statistics of the Canada direct investment amount in China (Unit: Ten Thousand Dollars)

Year	Direct investment amount	Other investment amount
2001	443,322	10,900
2002	542,392	13,249
2003	419,851	17,253
2004	394,095	326
2005	306,123	1315
2006	286,509	1071
2007	261,623	3054
2008	294,434	6245
2009	255,499	1932
2010	301,734	663
2011	236,932	1627
2012	259,809	2863
2013	281,987	—
2014	237,074	—

Thirdly, the types of FDI are mainly market entrance and resource seeking. As the resource processing industry of Canada is comparatively developed, the relative corporations have superior level of productive technology and management experience. In order to make full use of their advantage, Canada invests mainly in resource-based industry. Some scholars once investigated the motivation of the Canada investment in China. And the result shows that more than 50% of the enterprises motivation aims to entry into China market and 25% of the enterprises motivation aims to exploit natural resources like mineral resources in China. Therefore, the primary goal of transnational enterprises of Canada is to get the share of Chinese resource market.

3.2.3 Industry Distribution and Major Projects

In the early 1990s, the Canada direct investment in China mainly distributed in the provinces of the east region like Guangdong, Shanghai, Jiangsu, Fujian, Shandong, Hebei, Beijing, Hainan, Tianjin, Liaoning, Jilin, Heilongjiang and so on. Although the inland provinces like Shaanxi and Xinjiang had investments, the amount was very little. After 1990s, especially after 1992, the development tendency to the mid-west region apparently appeared. A large sum of capital was invested in the provinces of Guizhou, Inner Mongolia, Henan, Shaanxi, Anhui and other provinces. But on the whole, the key region was still the coastal regions in the east China. The three provinces in the northeast of China attracted many Canada investors because of their strengths of forestry and breeding industry. Until now, the industries of Canada investment in China are wide and nearly involve all the industries that foreign investments are allowed. At the same time, the emphasis is very prominent and characteristics are distinct.

The agriculture sector contains the cultivation and processing of shrimp, aquarium fish, shellfish, algae and so on. These industries mainly distribute over Shandong, Liaoning, Shanghai and other coastal areas like the Changdao, Laizhou, Yantai and Qingdao in Shandong province, Yingkou in Liaoning Province, etc. Besides, Canada also invests in animals and plants cultivation and planting industry, for example, the cultivation and operate of the animals like silver foxes, variant foxes and rats, as well as the plantation and operate of American ginseng, etc. Most of them distributes in good environment condition area of Shandong province and northeast China. The North American Fur Company of Canada have set up several fox farms in Shandong province which achieve good benefits. In addition, in forestry, some of the forest products companies begin to keep an eye on China because of the diminishing of the deforestation in Canada. In recent years, some companies like West and Fraser have planned to invest Chinese forestry production.

In the Industrial field, the manufacture is the most important area of Canada outward foreign direct investment and the Canada enterprises in China is the same. In the electronic industry, Canada invested the software development in China

early. In recent years, many of the large corporations of Canada like CAE expressed their willingness for several times to cooperate with China to develop the computer application software in the high-tech area like the spaceflight and so on. And some of them have been put into practice.

Other industries of Manufacturing include machinery, communication equipment which are usually established in open cities of Guangdong province like Shenzhen, light industry, food, bioengineering and so on.

In the service industry, the Canadian largest multinational company of telecommunication industry called Northern Telecom Limited has entered the Chinese market and achieved good benefits in the communication field.

In the transportation field, some of the Canadian large enterprises invest the construction of roads and bridges and conduct operation in Henan, Tianjin and other provinces.

In the insurance field, the famous Canadian life insurance company Manulife has set up its branch in Shanghai and expanded their operations quickly.

In the bank field, in the early 1980s, the Canadian Imperial Bank of Commerce and Bank of Montreal set up their offices in Beijing. In October 1997, the Bank of Montreal Beijing Branch was officially opened. Besides, it applied to set up office in Shanghai and developed close cooperation frame memorandum with the Industrial and Commercial Bank of China. Other industries include tourism service, restaurants, such as the Guangzhou Tianhe Hotel, as well as scientific, technical and cultural exchanges, etc. The petrochemical industries include the development, smelting, storage, transportation and other related chemical industries of oil, for example, the oil development in the Pearl River Mouth Basin of the South China Sea. The international trade, real estate are also the industries that have competitive Canadian investment in China.

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Chapter 4

Development Report of Europe Direct Investment in China

4.1 Germany

4.1.1 *The Development Tendency of Foreign Investment*

According to the China Statistical Yearbook, from 2001 to 2003, the amount of the Germany investment in China was 1.22 billion dollars, 0.93 billion dollars and 0.85 billion dollars. It kept rising from 2001 to 2006, and there was a temporary drop in 2007. In 2008 it went up again. After several years' constant adjustment, it had slight fluctuation, but the general trend was spiral rise (Fig. 4.1; Table 4.1).

Because large German companies had invested in China in a large scale, the amount of Germany direct investment adjusted according to conditions of the enterprises. Even in 2009, year of the crisis, the actual investment amount from Germany was 1.22 billion, which increased 35.56% comparing with the previous year. In 2012, the FDI from Germany was 0.652 billion dollars, and the trade value between China and Germany was 161.13 billion dollars. In 2013, the trade value was 161.6 billion dollars, which was 580 times as large as the value when diplomatic relations were established between the two countries. China surpassed Netherlands in 2014 and became the fourth largest export market of Germany. In that year, the Germany export sales in China increased by 11% and reached to 74 billion euros, which was much higher than the average Germany export growth rate of 3.7%.

4.1.2 *The Features of the Investment*

(1) *Investment sources*

The main investment source of Germany in China was large-scale manufacturing enterprises.

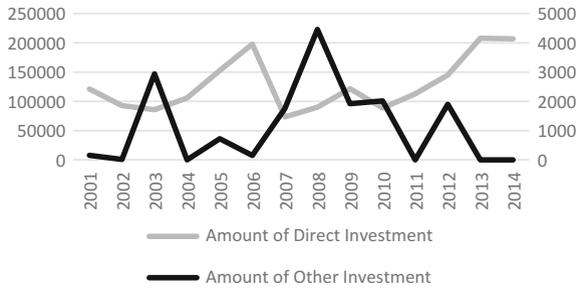


Fig. 4.1 Amount of Germany direct investment in China (2001–2004). *Data Source* China Statistical Yearbook

Table 4.1 Amount of Germany direct investment in China from 2001 to 2014 (Unit: Ten Thousand Dollars)

Year	Amount of direct investment	Amount of other investment
2001	121,292	156
2002	92,796	16
2003	85,697	2942
2004	105,848	–
2005	153,004	723
2006	197,871	151
2007	73,397	1756
2008	90,049	4460
2009	121,657	1920
2010	88,840	2017
2011	112,896	–
2012	145,095	1900
2013	207,844	–
2014	207,056	–

Among the top 30 Germany large-scale enterprises ranked in the Germany DAX stock market, 23 of them had investment in China. The enterprises were usually in the industry field, especially the automotive and electrical industries, then there were the chemical and machinery manufacturing. Germany enterprises like Siemens, Bayer, BASF and Volkswagen had huge investment in China. The investment of Germany service industry in China only accounted for 3%. But after China joined the World Trade Organization, with the gradual opening up of the service market, the investment of Germany service industry in China also tended to rise. In 2012, the projects invested by Germany were mainly distributed in wholesale and retail trade as well as manufacturing, and the number of the investment projects respectively were 157 and 135, accounting for 37.5 and 32.2% of the proportion of the total number of investment projects. The actual investment

area was manufacturing, leasing and business services, among which manufacturing accounted for 69.7% and business services accounted for 22.0%. Currently, some large Germany service enterprises have already entered the Chinese market, such as the wholesale and retail trade enterprise Metro, the insurance enterprise Allianz, logistics company DHL which is the subsidiary of Deutsche Post AG, tourism enterprise TUI and nearly all of the large Germany banks begin to beach the Chinese market.

(2) *Investment field*

According to the investment field, from 2002 to 2012, the investment amount of Germany in China fluctuated, and the proportion fluctuated with it. In 2012, Germany's investment in the manufacturing continued to grow slightly. And the proportion in the total amount of Germany investment changed from 65.4% in 2011 to 69.7%. In the year 2012, the Germany investment in China in the field of leasing and business services had obvious growth, and the actual investment amount more than doubled over the previous year, and the share increased by about 10%. In addition to automotive and ancillary industries, the manufacturing industry which mainly use new energy, energy saving, environmental protection and other green technology, as well as modern logistics, banking and insurance will become the focus areas of Germany direct investment in China. And the Germany direct investment in China is entering the new stage that manufacturing and non-manufacturing are simultaneously important. As the energy-saving environmental technologies run through all industrial fields, Germany's energy efficiency and environmental technology are the world's leading. Energy and environmental protection are not only the new growth points of Sino-Germany economic and trade cooperation, but also the main areas of Germany investment growth in China in the future. It's estimated that Germany enterprises in the field like aircraft manufacturing, automotive, energy saving and environmental protection equipment, chemicals, new energy, medical technology, modern logistics, wholesale and retail all have new investments and larger investment plan.

(3) *Mode of investment*

From the point of investment mode, in addition to the traditional joint venture and sole proprietorship, the Germany enterprises will enhance China's position in its global strategy, and further increase their research and development investment in China, such as increasing the number of research and development centers in China to develop new products, integrating the resources in China to achieve intensive production and extend industrial chain, and improving industry clusters to enhance competitive strength on the basis of the scale effect. Siemens, Bayer, Volkswagen and other Germany companies not only set up research and development centers in China, but also continue to increase research and development investment, or to strengthen the joint research and development with Chinese enterprises.

(4) Investment area

From the point of investment area, Germany's FDI in China has shown a strong regional concentration. One of the features of Germany investments in China is that the investment location is relatively concentrated, which are mainly in the eastern region. In the year 2012, Jiangsu Province, Jilin Province and Beijing had the largest amount of Germany investment, which accounted for 22.2, 21.9 and 16.8% respectively of the total amount of Germany investment in China. Shanghai, Jiangsu Province and Beijing had the largest number of Germany investment projects, which accounted for 37.2, 18.9 and 11.2% respectively of the total number of Germany investment projects in China. From 2002 to 2012, the eastern region had attracted 11.39 billion of Germany capital, which accounted for 90.3% of the total amount of Germany investment in China of the same period. In the year 2012, the actual investment amount of the Germany in the eastern China was 0.93 billion, accounting for 64.1% of the total investment amount in China. 80–90% of the Germany-funded enterprises are concentrated in three coastal areas, including the Yangtze River Delta, the northeastern heavy industrial zone, and the Pearl River Delta. As Beijing is the political center, German-funded enterprises usually have representative offices in Beijing. But the tendency in these two years is that the investments gradually extend and expand from the Yangtze River Delta, Pearl River Delta and Bohai Sea area to the central and western regions. In 2012, the Germany investment in the central region increased 19 times compared with 2011, and the investment in the western region had a year-on-year growth of 12.6%, while the investment in the eastern region fell 7.9% year-on-year.

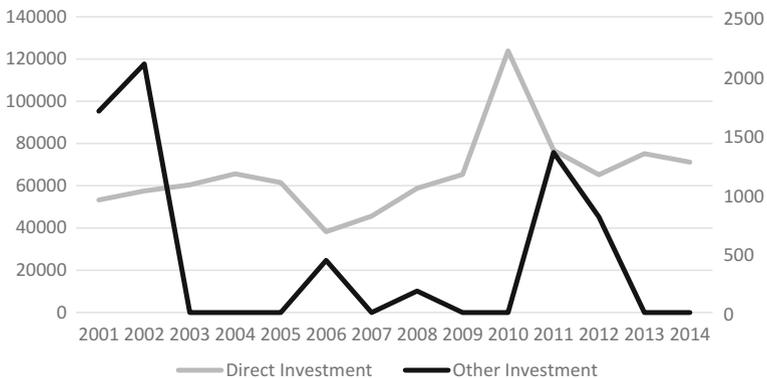


Fig. 4.2 France direct investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook

4.2 France

4.2.1 *The Development Status of France Investment in China*

Since 2001, the growth of the direct investment of France in China fluctuated (Fig. 4.2; Table 4.2).

In the process of France direct investment in China, France made full use of their technological advantages, with the location advantage of the host country, to promote the development of enterprises of related and support industries and to invest Chinese market in various ways. The FDI of France has a certain reference to the internationalization of Chinese enterprises. The enterprises of China should be good at identifying the location advantage of the host country, focusing on the development of related and supporting industries to enter the market of the host country in various ways.

In terms of the total amount of the investment, by the end of 2004, the number of France investment projects in China was 2591, and the contract amount was 9.14 billion dollars, and the actual amount was 6.8 billion dollars. France ranked tenth in the investment country in China. The level of investment not only lagged far behind the United States and Japan, but also fell behind Britain and Germany significantly in the European Union. Its actual investment amount was only equivalent 1/2 of Britain and 2/3 of Germany.

In 2008, the France investment projects in China increased 199, and each project used 2.953 million dollars on average. By the end of 2008, the amount of France direct investment in China was 587.75 million dollars.

Table 4.2 Amount of France direct investment in China (2001–2014) (Unit: Ten Thousand Dollars)

Year	Direct investment	Other investment
2001	53,246	1702
2002	57,560	2102
2003	60,431	–
2004	65,674	–
2005	61,506	–
2006	38,269	441
2007	45,601	–
2008	58,775	181
2009	65,365	–
2010	123,820	–
2011	76,853	1353
2012	65,242	808
2013	75,189	–
2014	71,207	–

From 2010 to 2014, the amount of France investment in China was in a downward trend overall, and the development speed of economy slowed down.

4.2.2 Investment Characteristics

Currently, the France investment in China is mainly achieved by more than 20 large enterprise groups together, for example, the EDF, the Alcatel Telecom, Thomson Electronics, Carrefour Supermarket, Danone Foods, cosmetics company L'Oreal, automobile company PSA Peugeot Citroen, Air France, etc.

These French enterprises have already get profit, and their market shares in some industries are very considerable. In the exploration stage of France investment in China, the investment modes were mostly joint venture and cooperative development. For example, the Suez Group and Chinese partners built Sino-French Water Joint Venture Company to provide service of drink water management and sewage treatment. With the accumulation of the France investment experience, the investment mode was more and more flexible, which not only increased capital and shares, but also implemented diversification strategy by equity acquisition. For example, the L'Oreal Group purchased MININURSE and YUESAI (China) company in addition to bringing their own brand into China. And DANONE Group purchased the Bright Dairy stock and became its third largest stockholder in the end of 2004 after merging the two famous Chinese brand Wahaha and Robust.

4.2.3 Industry Distribution and Focus Areas

According to the statistics of Administration of Foreign Exchange, Bank of France, the investment of France focused on the industrial sectors of chemical, automobile and machinery manufacturing, food, light industry and so on, which took up 56% of investment stock, while the energy finance and company service took up 16, 12 and 9% separately. We can see that the France investment in China in the secondary industry accounted for more than 70% which confirmed the industrial structure of China Foreign Investment Usage of China basically. And the marketing seeking sector accounted for the dominant position, which agreed with the investment purpose of EU. The survey data of the Investment Institute, National Development and Reform Commission, showed that the products invested by EU enterprises which aimed at Chinese market took up 59% and which aimed at the Europe Union market took up 19%, while the Asia Pacific Market and North American market only took up 15 and 59% respectively.

4.3 Russia

4.3.1 Investment Trends

After the establishment of the strategic cooperative partnership between China and Russia, the speed of Russia direct investment in China began to grow slowly. In 2001, the bilateral trade volume between Russia and China was 10.67 billion dollars which broke through 10 billion dollars for the first time. In 2004, it reached to 21.23 billion dollars which broke through 20 billion dollars. In 2004, the signing of *The Sino-Russian Treaty of Good-neighborliness, Friendship and Cooperation* pushed the Russia investment in China to a new high and the investment amount reached to 12.63 million dollars. But in the following years, the Russia direct investment in China decreased year by year until 2009 (Fig. 4.3; Table 4.3).

In 2009, the FDI of Russia in China was 31.77 billion dollars which was in the declining trend. This showed that the Russia investment in China decreased with each passing year, which did not keep pace with the continuous heat of trade and economic cooperation relation between the two countries. Although the investment amount was declining, the decent degree slowed down. With the sharp rise of the energy price in the international market, the Russia economy driven by energy export gradually picked up, and some of the powerful enterprises of Russia began to aim at the huge potential of the Chinese market. According to the statistics of *China Monthly Statistics* in 2010, the Russia actual investment amount was 34.97 million dollars, and the year-on-year growth was 9.2%. And the Russia direct investment in China would pick up over a period of time in the future. The statistics of Russia Customs showed that in 2010 the bilateral trade volume between Russia and China was 57.05 billion dollars and the Russia direct investment amount was 32 million dollars. In 2011, the Russia direct investment in China was about 31 million dollars,

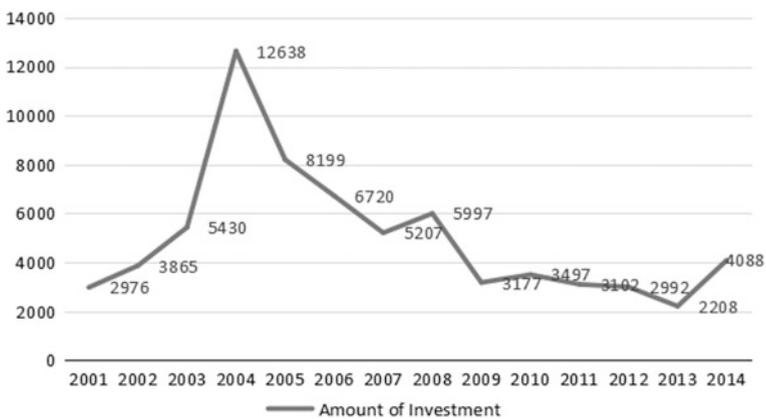


Fig. 4.3 Russia direct investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook

Table 4.3 Amount of Russia direct investment in China from 2001 to 2014 (Unit: Ten Thousand Dollars)

Year	Amount of investment
2001	2976
2002	3865
2003	5430
2004	12,638
2005	8199
2006	6720
2007	5207
2008	5997
2009	3177
2010	3497
2011	3102
2012	2992
2013	2208
2014	4088

and the total amount of accumulative direct investment stock was less than 1 billion dollars.

In 2012, the bilateral trade volume between Russia and China reached to 8.81 billion dollars, and the year-on-year growth was 11%. By 2013, the bilateral trade volume was 892.1 billion dollars.

In 2014, the total value of Sino-Russia trade rose by 6.8% over the same period of last year, and the total value was 95.28 billion dollars.

4.3.2 Investment Mode

According to the ways in establishing multinational company's overseas subsidiary, the Russia direct investment mode in China was mainly establishing new companies in China to expand new market, and rarely used the method of purchasing Chinese local enterprises.

From the point of overseas subsidiaries of multinational companies, the Russia direct investment approach included joint venture, cooperative operation, and sole proprietorship. According to the foreign investment report, 98.3% of the enterprises took approaches of joint venture and sole proprietorship, among which the enterprises using joint venture were the most, which took 50.2%, while only 1.7% of the enterprises used the way of cooperative operation. From the point of total investment, the investment in the joint venture companies accounted for the largest proportion of 52.4%, while the cooperative operation companies took the smallest proportion of 18%.

From the point of the total registered capital, the registered capital of joint venture enterprises still took the largest proportion of 55.6%, and the registered

capital of cooperative operation took the smallest proportion of 12.7%. It can be seen that the investment mode of Russia foreign-investment enterprises mainly used the joint venture mode, then was the sole proprietorship, and the cooperation mode with poor stability was rarely used.

4.3.3 Industry Distribution and Projects

At present, most of the Russia direct investments in China concentrate on the manufacturing industry.

By the segmentation of the manufacturing industry, arranging the number of the enterprises from large to small, the Russia direct investment in China mainly focused on the manufacturing of textile and apparel, shoes and caps, leather, fur, feather (velvet) and its products, as well as textile industry. In 2012, Russia invested 18 manufacturing projects in China, which accounted for 24.7% of the total Russia investment projects in China. And the actual amount of the foreign capital used was 10.69 million dollars which accounted for 35.7%. The Russia investment amount in the manufacturing industry decreased 26.3% year-on-year, accounting for 35.7% of the total amount of Russia investment in China. And the number of Russia investment enterprises in the textile and apparel, shoes and caps manufacturing industry, leather, fur, feather (velvet) and its products industry, as well as textile industry accounted for 15.86, 13.98 and 12.1% respectively. Next was the timber processing and the products of wood, bamboo, Bamboo, Cane, Palm Fiber and Straw, which accounted for 5.38%. And the food manufacturing industry accounted for 5.38%, chemical materials and products manufacturing accounted for 5.11%, general equipment accounted for 4.84%, metal products accounted for 4.57%, handicrafts and other manufacturing industries accounted for 4.03%. These ten kinds of industries accounted for 71.25% of the total amount of the Russia investment in manufacturing.

It can be seen that the industries directly invested by Russia mainly focused on labor-intensive industries, and the capital-intensive and high technology-intensive industries had small proportion.

In 2012, Russia directly invested 73 projects, which increased 43.1% compared with the year of 2011, and the actual investment amount was 29.92 million dollars, which increased 19.5% year-on-year. From 2002 to 2012, the Russia invested 1155 projects in China and the actual investment amount was 60.26 billion dollars. The proportion that Russia direct investment accounted for in China was in a general trend of descending in foreign invested project numbers and the amount of the foreign capital actually utilized. The number of projects in 2002 was 116, which accounted for 0.34%, and in 2012, the number decreased to 73 which took up 0.29%. The actual investment amount for in 2002 was 3.865 billion dollars which took up 0.07%, and in 2012 the number decreased to 2.992 billion dollars, which accounted for 0.03%.

In 2013, Russia directly invested 69 projects, which decreased 5.5% compared with that of 2012, and the actual investment amount was 22.08 million dollars, which decreased 26.2% year-on-year.

The amount of Russia direct investment began to rise in 2014, and reached to 40.88 million dollars, which accounted for 0.03% of the total amount of the foreign capital actually utilized.

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Chapter 5

Development Report of Africa Direct Investment in China

5.1 Investment Features of Africa Countries in China

Africa directly invested 101,826 ten thousands in 2014 and 58,507 ten thousands in 2015. We give you the data of the investing in China from Egypt, Algeria, South Africa and Nigeria as the examples to show the history between 2001 to 2014 (Fig. 5.1 and Table 5.1).

The investment between China and Africa has following characteristics:

Mutual investment was relatively unbalanced, for example, in 2007 the amount of China direct investment in Nigeria was 390.35 billion dollars, while the Nigeria direct investment in China was 20 billion dollars, which only accounted for 5.2% of China direct investment in Nigeria. If the turnover of economic cooperation and other investment form were added, the proportion would be smaller.

On the whole, in the bilateral investment relations between China and Africa, China is in the status of capital exporting country, and the Africa countries are in the status of capital importing country.

The reasons for this situation are as following:

Firstly, the industrial system of Africa is deficient, which is in urgent need of foreign capital to develop their national economy.

Secondly, the economic development of Africa is relatively backward and the capital market is relatively underdeveloped, and the foreign investment capacity is relatively inadequate.

Thirdly, China's economy is relatively developed and has certain foreign investment capacity. And with the implementation of the strategy like the going-out strategy, China has increased the investment in Africa.

At present, although the foreign investment capacity of Africa is limited and Africa is in the position of capital importing country relatively, Africa has a vast territory, and the natural resource and human resource are very abundant. With the

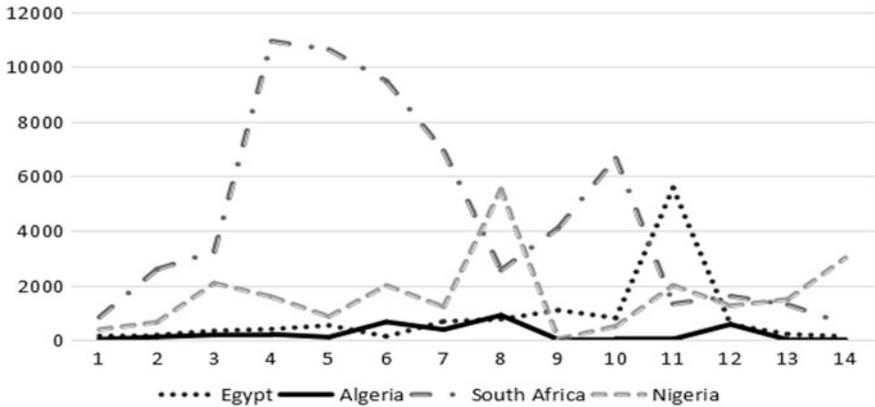


Fig. 5.1 Africa investment amount in China from 2001 to 2014

Table 5.1 Amount of African investment in China from 2001 to 2014 (Unit: Ten Thousand Dollars)

Year	Egypt	Algeria	South Africa	Nigeria
2001	146	23	836	384
2002	182	108	2593	646
2003	334	183	3245	2083
2004	396	206	10,940	1583
2005	532	101	10,635	856
2006	127	658	9481	2000
2007	678	379	6916	1211
2008	758	904	2560	5504
2009	1090	12	4120	33
2010	803	40	6647	500
2011	5552	29	1323	1999
2012	567	571	1605	1253
2013	209	5	1292	1488
2014	126	-	589	3008

development of the Africa economy and the improvement of the industrial system, the export capability will increase gradually. At that time, the bilateral investment between China and Africa will be more balanced. The trade cooperation of Sino-Africa has already developed from simple aid to many fields like trade, investment and engineering contracting. Especially from 2000, the Sino-Africa trade, investment, infrastructure and capacity have developed comprehensively, and the cooperation in the field like finance and travel gradually expanded, and the pattern of multi-level and wide-field have formed.

5.2 Industry Distribution and Major Projects

From the point of the bilateral Investment between China and Africa, the Africa investment in China mainly focused on real estate development projects. While the China investment in Africa mainly focused on the exploitation of natural resources and the infrastructure construction.

In the trade between South Africa and China, South Africa mainly exported minerals, cars complete set of spare parts, not refined copper, manganese ore and its fine sand, copper waste and scrap and so on to China. And China mainly exported mechanical and electrical products, medical supplies, textiles to South Africa.

In the trade between Egypt and China, the products that China exported to Egypt included clothing, textile yarn, fabric and its products, footwear, bags, as well as the general industrial machine and equipment, components, power machine and equipment. And China mainly imported from Egypt the products like marble, steel, aluminum ingots, petroleum and related products, non-metallic mineral products, long-staple cotton, flax, spinning, fabric and so on. The investment field of Egypt in China mainly focused on the industry of textiles, clothing, luggage, stationery and plastic products processing. Egypt and China have wide range of cooperation in science, technology, culture and education. The large projects completed include Cairo International Convention Center, Beni Suef Vocational Training Center, Distance Learning System, multifunctional chemical pilot workshop equipment, etc. In the energy field, in January 2004, the Sino-Egyptian Drilling Company jointly operated by China Petroleum and Egyptian Resource Petroleum Corporation was established.

In the trade between Nigeria and China, Nigeria mainly exported metal and metal products to China which accounted for 77.8% of the total imports of China from Nigeria, and chemical products accounted for 12%. Nigeria mainly imported textiles and raw materials, electronic products, equipment and spare parts, light industrial products.

In 2006, the total volume of trade was 3.1 billion dollars. And it was 4.3 billion dollars in 2007, 5 billion dollars in 2008, about 6.5 billion in 2009, and 7.5 billion dollars in 2010. According to the statistics of Nigerian Customs, the bilateral trade volume between Nigerian and China reached a new record of 18.1 billion dollars in 2014, increasing 33.2% compared with that of 2013 which was 13.59 billion dollars.

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Chapter 6

Development Report of Asia Direct Investment in China

6.1 Japan

6.1.1 *The Development of Japan's Investment in China*

The first stage (2000–2005), Japan's investment in mainland China ushered in a new development stage of synchronous growth with the world's investment in mainland China. The total contract amount reached \$3.68 billion in 2000. In 2001, the growth rate of Japanese companies' investment in mainland China far exceeded that of the world's investment in mainland China, the total contract amount and the total use amount both accounted for more than 40%. In 2002, its investment in mainland China continued to show growth momentum, and Japanese companies accelerated in transferring its production bases to China, as China was increasingly becoming a global production base after joined the WTO. Annual report by Japan External Trade Organization noted that the main reason for a substantial increase of Japan's investment in China in the second half of 2005 was that Japanese automobile manufacturers began to invest in China by a large-scale. Simultaneously, Japanese electronics manufacturers started to expand investment, increasing the supply of electronic products in China's market. In addition, Japan's investment of chemical pharmaceutical, finance and insurance, wholesale and retail, machinery and other industries in China surpassed \$254 million (Fig. 6.1 and Table 6.1).

The second stage (2006–2010), Japan's investment in China re-entered a period of adjustment. Japanese enterprises' investment in China began to decline after 2005. According to Ministry of Commerce statistics, investments in China peaked in 2004, and then gradually decreased. Investment scale (actual investment amount) went down rapidly after peaking in 2005. In 2006, Japan's direct investment in China reached nearly \$4.6 billion, reduced by 29.58% compared with that in 2005. After 2006, Japan's direct investment in China declined or hovered consecutively for four years. Its proportion in the total foreign investment in China dropped to 4.30% in 2007 from 9.02% in 2005. At the end of 2009, Japan's assets balance of

Fig. 6.1 Japan’s investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook

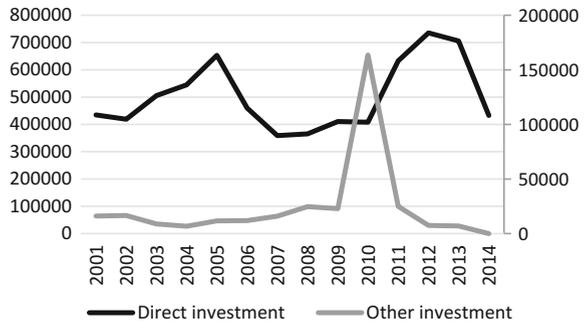


Table 6.1 Japan’s investment in China from 2001 to 2014 (Unit: 10 thousand Dollars)

Year	Direct investment	Other investment
2001	434,842	16,079
2002	419,009	16,608
2003	505,419	8,828
2004	545,157	6,746
2005	652,977	11,662
2006	459,806	11,907
2007	358,922	16,003
2008	365,235	24,667
2009	410,497	22,835
2010	408,372	163,597
2011	632,963	24,976
2012	735,156	7,500
2013	705,817	6,981
2014	432,530	-

accumulated direct investment in China reached \$55.045 billion, equivalent to 2.23 times of that in 2005.

In 2012, Japan’s investment in China increased 16.1% than 2011, and reached to \$7.35 billion, exceeding \$6.52977 billion in 2005, setting a historical record.

In 2014, Japan’s actual direct investment in China decreased by 38.7% to \$4.33 billion compared with 2013. This is mainly due to the deterioration of the relations between Japan and China as well as the sharply rising labor cost in China.

6.1.2 The Characteristics of Japan’s Investment in China

Japanese company’s investment in China mainly includes the following four types:

- I. Processing trade enterprises
- II. Enterprises those providing raw materials and parts for the Japanese processing trade businesses in China

- III. Enterprises those exporting products to China
- IV. Enterprises of targeting the China's market and providing products and services to meet Chinese consumers' demands

The industries related to above four types involve a number of fields. And securities companies, retail, real estate, transportation, agriculture are beginning to run business in China. Many Japanese companies' business volumes in China accounts for a large ratio of the total volume of businesses they operate.

6.1.3 Industrial Distribution and Key Projects of Japan's Investment in China

Among Japan's investment in China, manufacture has been dominated a large proportion.

Japan's direct investment in China has always been initiated by concentrated on manufacture. Although Japan's direct investment in China's manufacture decreased in 2006, it was still higher than the investment proportion in other industries. Japan's direct investment in China's manufacture fluctuated under the influence of Japan's national economic cycle and the Asian financial crisis, but manufacture investment was still the most part of Japan's investment in China.

The situation of manufacture investment: The Japan-funded manufacture enterprises, invest primarily in the industries where they are comparative advantageous. In manufacture, electrical appliances, machinery, transportation equipment and textile are focused by Japan's investment in China. But Japan's investment in China's textile industry has been down, showing that Japan's direct investment in China has shifted from labor-intensive industries to capital and technology-intensive industries. During this shift, centered on the local production of automobile and household appliances, the investment on transportation equipment industry (mainly in the automotive) increased rapidly, at the same time, a new trend of large-scale investment increase emerged. Visibly, Japanese companies mainly concentrated on investment in relatively high capital-intensive machinery areas, a certain scale of investment on textiles and clothing was merely to transfer their domestic traditional industries to China or meet their domestic market by imported the textiles and clothing from China. Japanese companies invested most in the electronic communication equipment industry, and the proportion was higher than the average level in the enterprises of other countries or regions.

Japan's proportion in the industries of wholesale and retail, finance and insurance exceeds other major countries, which shows that Japan has international competitiveness and overseas expansion capability in these areas, while the investment proportions in other services are below the average. Other Japanese industries have begun to enter China, and the investment has started to increase in retail and wholesale, logistics, business, consulting, insurance, industrial park and other fields.

6.2 South Korea

6.2.1 The Development of South Korea's Investment in China

The development of South Korea's investment in China can be more clearly divided into the following phases (Fig. 6.2 and Table 6.2):

The first stage: beginning of the new century, South Korea has been gradually stepped out of the shadow of Asian financial crisis, and its direct investment in China has set a new record. South Korean's big representative companies such as Samsung, Hyundai, Daewoo, LG and other groups have started a new round of large-scale investment. In 2002, there were 4008 items of direct investment in China, and the actual use of funds reached \$2.72 billion. In 2004, there were 5625 items of direct investment in China, and the actual use of funds reached \$6.25 billion.

The second stage: South Korea's actual direct investment has begun to decline since 2005. According to the data from Department of Foreign Investment Administration, Ministry of Commerce, there were 4262 items of South Korea's direct investment in China from January to December in 2006, and the actual use of funds was \$3.89 billion. In 2008, South Korea's actual direct investment dropped to \$3.14 billion, only half of that in 2004. From 2009 to 2011, the actual direct investment dropped to \$2.70 billion, \$2.69 billion, \$2.55 billion.

The third stage: In 2012 and 2013, South Korea's investment in China climbed to \$3.04 billion and \$3.05 billion. Meantime, South Korea exported \$166.9 billion to China (including Hong Kong) and imported \$80.8 billion from China (including Hong Kong) in 2012, so the trade surplus amounted to \$86.1 Billion. The exports amounted to \$559.7 billion in which the exports to China accounted for 26.1%. In 2014, South Korea's investment in China amounted to \$3.965 billion, reached a maximum after 2006.

Fig. 6.2 South Korea's investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook

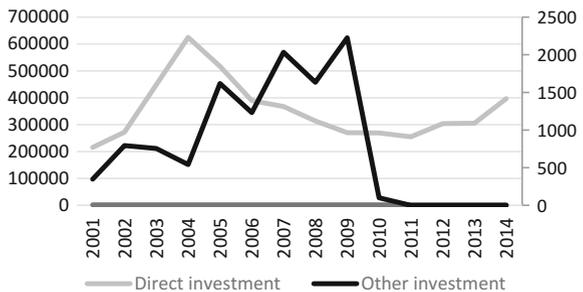


Table 6.2 South Korea's investment in China from 2001 to 2014 (Unit: 10 Thousand Dollars)

Year	Direct investment	Other investment
2001	215,178	348
2002	272,073	793
2003	448,854	755
2004	624,786	542
2005	516,834	1618
2006	389,487	1232
2007	367,831	2034
2008	313,532	1634
2009	270,007	2225
2010	269,217	100
2011	255,107	–
2012	303,800	–
2013	305,421	–
2014	396,564	–

6.2.2 Investment Characteristics

I. Start late, develop fast

Although the comparatively late establishment of political diplomatic relations between China and South Korea lead to South Korea's later investment in China than the United States, Europe, Japan and other countries, the investment and trade between China and South Korea has surged since the two countries established the diplomatic relations, and South Korea's direct investment in China has grown faster than China's absorption of direct investment from abroad. Due to Asia's economic crisis, South Korea's direct investment in China went down, but its proportion in the total foreign investment in China did not decrease. At present, China is South Korea's largest trading partner and the first largest investment destination, and South Korea is China's fifth largest source of investment. In spite of China's recent policy adjustment leading to higher cost and difficult operation of South Korean enterprises, South Korea's manufacturing investment in China remains strong.

II. Large-scale investment

According to Ministry of Commerce statistics, by the end of 2005, South Korea had ac-cumulatively invested 38,898 enterprises in China with \$31.32 billion of actual investment, accounting for 7.03% of China's accumulated number of approved foreign-invested enterprises and 5.03% of the total actual use of foreign capital separately. South Korea's investment in China ranked No. 4 in the total actual use of foreign capital. By the end of September, 2013, South Korea had invested 56,000 foreign enterprises in which China's enterprises alone made up about half and the number was 25,000.

III. *The investment mainly focused on manufacture*

In the manufactures of South Korea's direct investment in China, some are labor-intensive, such as clothing, textiles, footwear and furniture, and some are capital-intensive like metal parts and petrochemical. Among them, garment and textile industries take up the largest proportion, while metal accessories industries rank first in ratio in terms of investment amount. South Korea's direct investment focused mainly on wholly foreign-owned enterprises. Large South Korea's enterprises are the main investor, but the scale of the investments and the projects are small or medium.

6.2.3 Industry Distribution and Key Projects

First, investment concentrated on manufacture, and service industry becomes the point of investment growth. By the end of 2005, South Korea's investment in China mainly focuses on electrical and electronic manufacturing assembly, textiles and clothing, leasing and business services, catering and retail industries, wherein the dominant advantage is manufacture. Currently, in South Korea's actual investment in Chinese industries, manufacture accounts for a large share. Apart from manufacture, investment in the service sector has also become a growth point of South Korea's investment in China in recent years.

Second, investment in large scale. South Korea's well-known enterprises such as Samsung, Daewoo and other large enterprise groups have entered China one after another, and set up research and development institutions in Beijing, Shanghai and other places. SK Group which ranked No. 4 in South Korea has established branch offices in 23 Chinese cities and regions, and its investment scope covers energy, communications, transportation, shipping and many other fields.

Third, the number of investment projects is big and the scale is large.

Fourth, the technology-intensive and capital-intensive projects increase in South Korea's capital investment. In recent years, the investment in China from South Korea's electronic mechanism, automotive, chemical, metal and other technology-intensive and capital-intensive enterprises has gradually increased, and can compete with Western and Japanese-funded enterprises. In some areas, South Korean companies have an edge. South Korea's investment in China is shifting from labor-intensive industries to capital-intensive and technology-intensive industries, to adapt to China's preferential policies of attracting foreign investment, on the cutting-edge technology, resource development and other industries and projects.

6.3 India

6.3.1 The Development of India’s Investment in China

At the end of 2002, India directly invested 71 projects in China, the contract amount was \$174 million, and the actual investment was \$63 million.

In 2003, India ac-cumulatively invested \$877 million in China, accounting for 0.9% of India’s total investment abroad.

In 2004, the bilateral trade volume between China and India exceeded \$10 billion, since then, the bilateral trade has entered a period of rapid development. According to Ministry of Commerce statistics 2004, India invested 37 projects in China, up by 23.3%, the contract amount was \$62.9 million with 34.7% growth rate, and the actual use amount was \$19.48 million with 22.3% growth rate. In 2012, India directly invested 77 projects in China, decreasing by 40.8% than last year, and the investment was \$44.06 million, increasing by 4.5%.

From 2002 to 2012, India ac-cumulatively invested 750 projects in China, and the actual total investment was \$453 million. The India direct investment was 27.05 million in 2013, and 50.75 million in 2014.

India’s investment in China mainly involved in the information technology, pharmaceuticals and biotechnology and other fields. India, as a big software country, has lasted for decades and has a huge advantage and strength in the fields of information technology especially in software development and software export. Currently, there are many Indian software service companies investing in China.

6.3.2 Investment Characteristics

Started late and grows fast (Fig. 6.3 and Table 6.3).

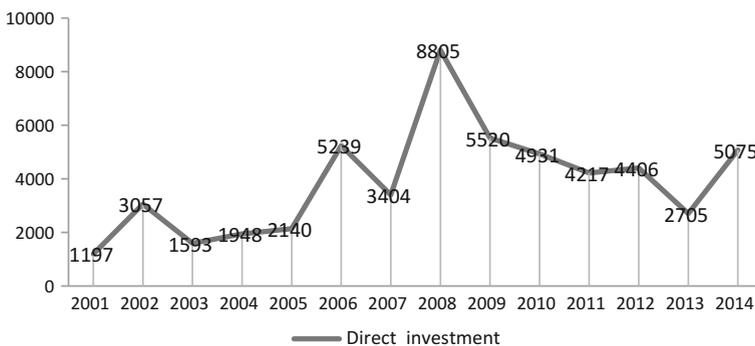


Fig. 6.3 The Figure of India’s investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook

Table 6.3 India's investment in China from 2001 to 2014 (Unit: 10 Thousand Dollars)

Year	Direct investment
2001	1197
2002	3057
2003	1593
2004	1948
2005	2140
2006	5239
2007	3404
2008	8805
2009	5520
2010	4931
2011	4217
2012	4406
2013	2705
2014	5075

Before the 1990s, China and India did not carry out mutual investment. In the nineties, the economy and trade between China and India gradually developed. With the gradual improvement of bilateral relations and China's accession to WTO, investment between the two countries developed rapidly. India's investment in China grew rapidly.

From 2001 to 2008, India's investment in China was basically upward, the investment culminated in \$88.05 million by 2008, then it went downward until 2014 the investments went up.

In 2015, the bilateral trade volume in goods amounted to \$70.83 billion. India exported \$9.69 billion goods to China, account for 3.6% of India's total exports. India imported \$61.14 billion goods from China, accounting for 15.6% of India's total imports. India's trade deficit with China was \$51.45 billion, increasing by 14.4%. By the end of December 2015, China was the second only to the United States.

6.3.3 Industry Distribution

The comparative advantages of Indian companies mainly focus on software, steel, pharmaceutical and other industries. India companies are optimistic about China's huge market, stable preferential investment policies and good investment environment, thus they have increased investment in China. In the field of information technology industry, China and India have strong complement where India is a major exporter of software, while China has obvious advantages in hardware manufacturing. The cooperation prospect between the two countries in the information technology industry investment is very good.

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Chapter 7

Development Report of Oceania Direct Investment in China

7.1 Australia

7.1.1 The Development of Australia's Investment in China

According to the Ministry of Commerce statistics, in 2014, actually utilized investment to China from Australia was 23853 ten thousand and 30689 ten thousand in 2015. We can see the data between the year from 2001 to 2014 in Fig. 7.1 and Table 7.1. At mean times, actually utilized investment to China from Oceania was 18.92 billion and 24.43 billion.

Australia's investment in China mainly concentrates on agro-industry, food and beverage processing, building materials and construction services, infrastructure, environmental protection and information technology industry. The growth of Australia's investment in China drives bilateral trade, especially the rapid development of Australia's exports to China.

In 2014, the import and export volume of bilateral goods between China and Australia amounted to \$128.17 billion, down by 5.9%. Among them, Australia exported \$81.4 billion goods to China, down by 10.4%, accounting for 33.8% of Australia's total exports, decreasing by 2.2 percentage points; Australia imported \$46.77 billion goods from China, up by 3.1%, accounting for 20.5% of Australia's total imports, increasing by 1.0 percentage points. In 2015, the import and export volume of bilateral goods between China and Australia amounted to \$107.21 billion, down by 16.4%. Among them, Australia exported \$60.98 billion goods to China, down by 25.1%, accounting for 32.4% of Australia's total exports, decreasing by 1.3 percentage points; Australia imported \$46.24 billion goods from China, down by 1.1%, accounting for 23.1% of Australia's total imports, increasing by 2.5 percentage points. Australia's trade surplus with China amounted to \$14.74 billion, down by 57.4%, but China remained Australia's largest trading

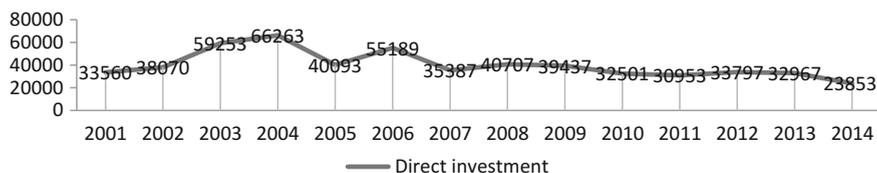


Fig. 7.1 Australia's investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook

Table 7.1 Australia's investment actually utilized in China from 2001 to 2014 (Unit: 10 Thousand Dollars)

Year	Direct investment
2001	33,560
2002	38,070
2003	58,253
2004	66,263
2005	40,093
2006	55,189
2007	35,387
2008	40,707
2009	39,437
2010	32,501
2011	30,953
2012	33,797
2013	32,967
2014	23,853

partner, at the same time, it continued to maintain Australia's largest export market and largest import source position.

In addition, Australia's investment in China also drives cooperation in the financial, technical assistance, wool, nonferrous metals, machinery and electronics, metallurgy, energy and other aspects between China and Australia, which progresses smoothly with remarkable results. The level of cooperation among enterprises between China and Australia will be further improved with the modernization of China's economy and the further expansion of China's market capacity.

By the end of September, 2014, Australian accumulated actual investment in China reached \$7.71 billion.

7.1.2 Investment Characteristics

7.1.2.1 Geographical Distribution

Australia's investment in China lies in about 20 provinces, municipalities and autonomous regions, but it mainly concentrates on Beijing, Tianjin, Shanghai,

Jiangsu, Guangdong and other developed coastal provinces, which accounts for about 80% of Australia's investment in China, only 12% of that to invest in Hubei, Hunan, Sichuan, Gansu, Xinjiang and other parts of the Midwest China.

Australia invested enterprises focus on the eastern coastal areas, mainly because these provinces have a unique geographical location, economic advantages, personnel advantages and other external conditions of cooperation, which are much better than the Midwest in production efficiency, market-oriented, technology, skilled labor supply and social infrastructure and other hardware and software environments. It is worth noting that Australia's direct investment in northeast industrial province of Liaoning has developed rapidly in recent years, Australia has set up 275 enterprises in Liaoning province, and the contracted foreign investment amounts to \$600 million. Among them, the joint venture of Shenyang Australian Wool Company Limited in Shenyang by Australian Brisbane Wool Washing Technology Company Limited is invested with \$23.35 million in total; Dalian COFCO Malt Company Limited, a joint venture by Top Glory (Australia) Company Limited and Dalian COFCO, is invested with \$29.8 million in total. In addition, other invested projects are chemical, textile, electronics, medicine, food, etc. These projects have played an exemplary role in cooperation between Australia and Liaoning.

7.1.2.2 Forms of Investment

Australian merchants investing in China are mostly in the forms of joint venture and wholly-owned. In joint ventures and co-operated companies, 68% of Australia invested enterprises choose state-owned large and medium enterprises as a partner, 17% choose collectively owned enterprises, and merely 15% select private enterprises.

7.1.3 Industrial Distribution and Key Projects

Australia's investment in China is more widely distributed, which mainly concentrates on agriculture, construction, textiles, electronics and other fields, specifically, it is mainly distributed in textiles, electronics, hotels, metallurgy, warehousing, machinery, light industry, chemical industry, offshore oil exploration, coal mining, furniture processing and footwear, food and beverage, agriculture, aquaculture, transport, packaging, education, accounting, legal services and other industries.

According to a Survey of Australia's investment in China conducted by Australia China Business Council in Australia and International Business Research Center, at University of Melbourne, Australia's investment projects in China mostly concentrates on the manufacturing sector which accounts for 38%; real estate and business services account for 30% of total projects, the rest projects in total account

for 32%. In other projects, transportation and warehousing account for 13%, wholesale and retail trade account for 26%, mining accounts for 17%, construction accounts for 10%, finance and insurance account for 13%, information services accounts for 7%, education accounts for 7%, electricity, gas and water account for 7%. In recent years, Australia has increasingly widened its investment range of fields, which includes finance, insurance, foreign trade, accounting, freight forwarders and all other pilot industries.

7.2 New Zealand

7.2.1 The Development of New Zealand's Investment in China

Direct investment between China and New Zealand is relatively small, but the total investment including direct investment, portfolio investment and other forms of investment is gradually expanding. New Zealand's companies regard their investment for China as the vital guarantee of New Zealand's long-term product market, and their investment in China will help the New Zealand's product to be accepted by Chinese consumers (Fig. 7.2; Table 7.2).

In 2007, New Zealand invested 87 projects in China, and the actual use amount was \$63.91 million. By the end of 2007, New Zealand had directly invested 1233 projects in accumulative total in China, the actual investment was \$720 million, which was mainly distributed in agriculture, forestry, Seiko, textile, metallurgy, food processing, medicine, computers and other fields.

At the end of September, 2014, New Zealand's actual accumulated investment in China reached \$1.33 billion. In 2015, the import and export volume of bilateral goods between China and New Zealand amounted to \$13.16 billion, down by 14.9%. Among them, New Zealand exported \$6.03 billion goods to China, down by 27.3%, accounting for 17.6% of New Zealand's total exports, decreasing by 2.3 percentage points. Currently, China has remained New Zealand's largest export market and largest import source.

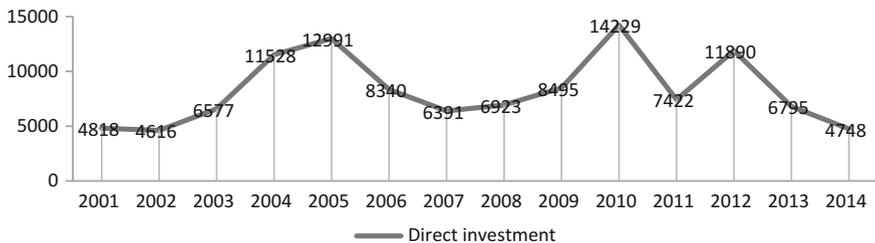


Fig. 7.2 New Zealand's investment in China from 2001 to 2014. *Data Source* China Statistical Yearbook, various years

Table 7.2 New Zealand's investment in China from 2001 to 2014 (Unit: 10 Thousand Dollars)

Year	Direct investment
2001	4818
2002	4616
2003	6577
2004	11,528
2005	12,991
2006	8340
2007	6391
2008	6923
2009	8495
2010	14,229
2011	7422
2012	11,890
2013	6795
2014	4748

7.2.2 Investment Characteristics

There is a very strong economic complement between China and New Zealand. China has the great advantage of cheap labor, and its products those have a comparative advantage for New Zealand mainly focus on the manufactured goods, especially in the labor-intensive manufactured goods such as garments, textiles and electronics product.

In addition, China has also made a great progress in science and technology and presented a development trend of industry escalating. New Zealand, as a developed market economy country, has a unique natural environment and higher degree of export-oriented economy. New Zealand is the world's major exporter of agricultural products, and it is world's leading level in agricultural science and technology, agricultural products and food processing, biotechnology, environmental technology, etc. But it has a relatively weak industrial base, and its products which have a comparative advantage for China mainly concentrate on agricultural and forestry products (including dairy products, wool, meat, wood, etc.) and other resource-intensive products. This complementarity of industrial structure formed by the differences between China and New Zealand on the resource endowment and economic development results in the two countries' strong dependence on each other.

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Chapter 8

Development Report of South America

Direct Investment in China

8.1 Brazil

8.1.1 The Development of Brazil's Investment in China

At the end of 2006, Brazil had directly invested 411 projects in accumulative total in China, the contract amount was \$61.3 billion and the actual investment was \$200 million (Table 8.1).

In 2007, Brazil invested 20 projects in China, and the actual use amount was \$31.64 million.

In 2008, Brazil invested 20 projects in China, and the actual use amount was \$38.79 million.

At the end of 2009, Brazil had directly invested 481 projects in accumulative total in China; the accumulated actual investment exceeded \$320 million. The current global economic turmoil severely affected Brazil's direct investment in China.

In 2011, Brazil invested 26 projects in China. It reached a low point over the past decade. The item amount fell 24.8% compared with 2010, Less than half the highest level in history.

According to Ministry of Commerce statistics, in 2001–2010 period, Brazil's investment stock in China grew to \$573 million from \$39 million; from 2004 to 2013, Brazil's accumulated investment in China reached \$420 million.

By the end of 2014, Brazil's accumulated investment in China reached \$540 million.

Table 8.1 Brazil's investment in China from 2001 to 2014 (Unit: 10 thousand Dollars)

Year	Direct investment
2001	390
2002	1536
2003	1671
2004	3070
2005	2461
2006	5560
2007	3164
2008	3879
2009	5248
2010	5725
2011	4304
2012	5760
2013	2304
2014	2811

Data Source China Statistical Yearbook

8.1.2 Industrial Distribution and Key Projects

Brazilian companies' direct investment in China mainly involves the coal industry, regional aircraft manufacturing, production of refrigerator compressors, food, auto parts production and other projects. Well-known companies include Companhia Vale do Rio Doce, Embraco, Brazil MARCOPOLO Bus Factory, Embraer, Brazil Air Compressor Factory, Viggo Motor Factory, Azar Lea shoe factory, Petrobras, WEG. In October, 2007, Baosteel Victoria Iron and Steel Company, a joint venture by Shanghai Baosteel Group and the global mining giant CVRD, inaugurated in Victoria, Espirito Santo, Brazil. This project Phase One was expected to gain \$3 billion of investment in total, it was planned to be initiated in the first half of 2009 and put into operation by the end of 2011.

In the financial sector, a number of large state-owned or private financial institutions in Brazil have opened or will open a representative office in China since 2004. Banco do Brasil, Brazil's most powerful state-owned financial institutions, established a representative office in Shanghai in 2004. Santos Bank set up a representative office in China in September, 2004. Brazil Futures Exchange which was the world's sixth-largest commodity futures exchange also set up a representative office in Shanghai in May, 2004. In the energy sector, Petrobras and China Development Bank signed a ten-year loan agreement of \$10 billion in 2009. At the same time, Petrobras signed a 10-year long-term crude oil export agreement with Sinopec to increase Brazil's crude oil export volume to China. In March, 2013, Central banks of China and Brazil signed a bilateral currency swap agreement of 190 billion RMB/60 billion Brazilian Real.

8.2 Other Latin American Countries

8.2.1 The Status of Investment Development

Latin American and Caribbean countries investing in China also maintained a good momentum of development. They invested more than 9000 projects in China in 2002, and the actual investment amount exceeded \$30 billion. In 2004, Latin America and Caribbean region investing in China increased significantly, the contract investment reached \$23.68 billion and the actual investment reached \$9.04 billion during that time. In 2006, Brazil, Mexico and other Latin American countries speed up the intensity of investment in China; Bancode Chile held an opening ceremony in Beijing on September 21; Banco Bradesco, Brazil's largest private bank, announced that it would open an office in China on November 20; Bancomext opened its fourth office in Guangdong in China in December. According to the statistics conducted by Directorate General for Economic through the website of Directorate General for Economic, Ministry of Foreign Affairs of Republic of Chile, Chile had invested 60 enterprises in China from 1990 to the end of 2011, the total investment was \$281 million, accounting for 0.45% of Chile's total foreign investment.

In the main areas of Chile's investment in China, Chile invested \$198 million in the industrial sector, accounting for 70.5% of total investment in China, creating 326 direct jobs and 410 indirect jobs; it invested \$82 million in the service sector, accounting for 29.2% of total investment in China, creating 888 direct jobs; it also invested \$1.0 million in agricultural projects.

In the next few years, China will have remained a major importer of raw materials and food, while Latin American countries including Chile are one of the main areas of exporting these products in the world.

Trade cooperation fields between China and Chile will be further expanded and more diversified in the next few years. Chile's enterprises investing in China mainly focuses on shipping, garments, chemicals, building materials, food, metal processing and other industries. Argentina is China's fourth largest trading partner in Latin America following Brazil, Chile and Mexico, and the main products imported from Argentina are plant products, animal and vegetable oils and fats, mineral products, leather products, animal products, cellulose, paper, chemical products, etc. China is the largest importer of soybean oil for Argentina.

8.2.2 Investment Characteristics

There is great potential for China and Latin American countries in terms of investment. Throughout the fast-growing trade between China and Latin America, it can be summarized in the following points.

8.2.2.1 The Continued Rapid Growth of Economic and Trade Relations

From the perspective of growth rate, the pace of development of bilateral trade between China and Latin America is basically faster than that of China's foreign trade. In the 1990s, the import and export trade volume of China and Latin America declined slightly in 1998 and 1999, but it showed a rapid growth trend in other years, and the average annual growth rate reached 22.1%. Over the same period, China's exports to Latin America increased 28.5% per year and imports increased 19% per year. During this period, the development trend of China-Latin America trade was basically synchronized with that of China's foreign trade on the whole. Since the 1990s, China's economic and trade relations with Latin America have continued to grow rapidly, although the bilateral trade growth rate slowed in the late 1990s, it reversed to increase entering the 21st century.

8.2.2.2 Simple Structure

From the perspective of commodity structure of trade between China and Latin America, China's exported goods basically include textile, machinery and electronics, chemicals, toys, hardware and medicine and other industrial manufactured goods, and its imported goods mainly include iron ore, copper, steel, petroleum, wool, fish meal, raw sugar, vegetable oil, frozen fish, chemical raw material and other primary products. This is mainly determined by the economic structure of Latin American countries and China's demand, which is also an important reason for the strong complement in the trade between China and Latin America. In the trade between China and Latin America, we can also see that the trade structure between China and Latin America has been gradually optimized in recent years; among the products exported from China to Latin America, the proportion declines in raw materials and primary products, but it increases in industrial manufactured goods gradually.

8.2.2.3 Market Concentration

China's trade with Latin America mainly concentrates on these seven countries of Brazil, Mexico, Chile, Argentina, Venezuela, Peru and Panama. China's trade volume with these seven countries plays an important role in the total trade between China and Latin America.

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Chapter 9

Provincial Competitive Industries

This chapter is divided into 4 parts to introduce the past and present condition of Chinese provincial industries in the eastern, central, western and northeastern provinces.

(1) The overall condition of competitive industries

Around the “Eleventh Five-Year Plan”, pillar industries and industries planned are as follows:

In “the Plan of Eleventh Five-Year”, 22 provinces: Heilongjiang, Jilin, Shanxi, Anhui, Jiangxi, Henan, Hunan, Hubei, Hebei, Shandong, Guangdong, Chongqing, Guangxi, Sichuan, Guizhou, Yunnan, Tibet, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia accounting for 71%, will focus on the development of all industries. And provinces which are Liaoning, Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Fujian, Hainan, and Shanxi, a total of 9 provinces, accounting for 29%, will focus on the development of the secondary and tertiary sector.

From the present development condition of pillar industries, pillar industries have been established across all industries by 17 provinces which are Heilongjiang, Jilin, Liaoning, Jiangxi, Henan, Hubei, Zhejiang, Jiangsu, Shandong, Guangdong, Hainan, Guangxi, Sichuan, Tibet, Shanxi, Xinjiang and Inner Mongolia, accounting for 55%. Provinces developing the secondary and tertiary sectors are Shanxi, Hunan, Tianjin, Hebei, Shanghai, Fujian, Chongqing, Yunnan and Beijing, 9 provinces, accounting for 29%. Provinces, which are Anhui, Guizhou, Qinghai, Ningxia, Gansu, accounting for 16%, focus on the development of the primary and secondary sector.

Hot industries in “the Plan of Eleventh Five-Year”:

The hottest is chemical industry except in Tibet province; and high-tech is following, but Qinghai and Tibet do not select them as key industries. The equipment manufacturing industry is selected as pillar industries by 71% provinces, which are Heilongjiang, Jilin, Liaoning, Shanxi, Henan, Hunan, Hubei, Beijing,

Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Guangxi, Chongqing, Sichuan, Shaanxi, Gansu, Ningxia and Inner Mongolia. 50% provinces chose car industry as key industry and they are Jilin, Liaoning, Jiangxi, Henan, Hubei, Beijing, Tianjin, Shanghai, Jiangsu, Fujian, Shandong, Guangdong, Hainan, Guangxi and Chongqing.

Food industry is selected as key industry by 13 provinces, which are Heilongjiang, Shanxi, Jiangxi, Henan, Hunan, Hebei, Shandong, Guangdong, Guangxi, Chongqing, Guizhou, Xinjiang and Inner Mongolia, accounting for 42%. Pharmaceutical industry is selected by 12 provinces, which are Heilongjiang, Jilin, Liaoning, Jiangxi, Hebei, Shandong, Guangdong, Guangxi, Chongqing, Guizhou, Yunnan, Inner Mongolia, accounting for 39%.

(2) Region’s position in national economy

In Fig. 9.1, it is very clear that the eastern region has an absolute advantage in the development of national economy. In addition, the eastern region develops quickly since the twenty-first century (Table 9.1).

9.1 History and Present Condition of Central Provinces’ Competitive Industries

Central provinces, including Shanxi, Henan, Hubei, Hunan, Jiangxi, Anhui and are important base of energy, materials, industry and agricultural production, among them, this article only describes the competitiveness of the first four cities.

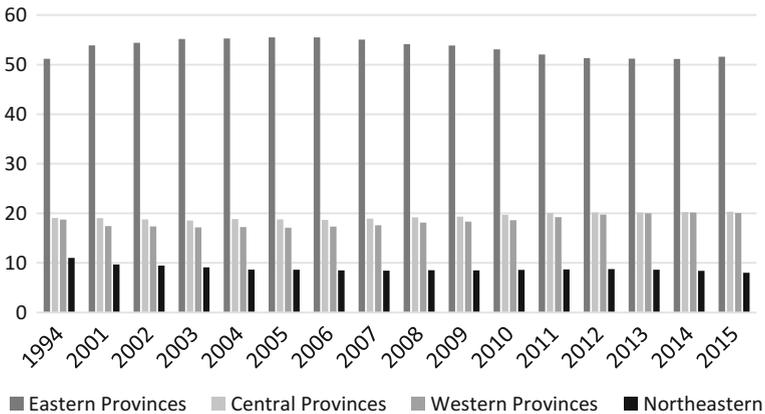


Fig. 9.1 Region’s GDP as percentage of national total (%)

Table 9.1 Region's GDP

Year	Region's GDP (100 million Yuan)					As percentage of national total (%)						
	Eastern Provinces	Central Provinces	Western Provinces	Northeastern Provinces	Eastern Provinces	Central Provinces	Western Provinces	Northeastern Provinces	Eastern Provinces	Central Provinces	Western Provinces	Northeastern Provinces
1994	23,243	8663	8512	5004	51.17	19.07	18.74					11.02
2001	58,595	20,697	18,939	10,544	53.87	19.03	17.41					9.69
2002	65,724	22,695	20,957	11,444	54.40	18.78	17.35					9.47
2003	76,969	25,871	23,975	12,722	55.16	18.54	17.18					9.12
2004	92,816	31,616	28,945	14,545	55.27	18.83	17.24					8.66
2005	110,549	37,411	34,087	17,181	55.49	18.78	17.11					8.62
2006	129,218	43,481	40,346	19,791	55.50	18.67	17.33					8.50
2007	154,030	52,971	49,184	23,553	55.06	18.94	17.58					8.42
2008	180,417	64,041	60,448	28,409	54.13	19.21	18.14					8.52
2009	196,674	70,578	66,973	31,078	53.84	19.32	18.33					8.51
2010	232,031	86,109	81,408	37,493	53.09	19.70	18.63					8.58
2011	271,355	104,474	100,235	45,378	52.04	20.04	19.22					8.70
2012	295,892	116,278	113,905	50,477	51.32	20.17	19.76					8.76
2013	324,765	127,910	126,956	54,715	51.20	20.16	20.01					8.63
2014	350,101	138,680	138,100	57,469	51.16	20.26	20.18					8.40
2015	372,983	146,951	145,019	57,816	51.60	20.33	20.06					8.00

Data Source: China Statistical Yearbook

9.1.1 Shanxi Province

9.1.1.1 Introduction

Shanxi Province, locating in the middle of Yellow River. The area is 156,000 km², with a total population of 33,746 thousand. In Shanxi, there are many widely distributed types of coal resources. In addition, there are 62 species of coal resources. Coal, bauxite, refractory clay, bauxite, gallium reserves rank first in all provinces or regions.

9.1.1.2 Variation Trend of the Industrial Structure

See Fig. 9.2 and Table 9.2.

9.1.1.3 Competitive Industries of Shanxi

Coal, coke, metallurgical and power industries are Shanxi's 4 big traditional pillar industries. In addition, Shanxi province chose equipment manufacturing and pharmaceutical industries as new industries (Table 9.3).

9.1.2 Henan

9.1.2.1 Introduction

There are more than 1500 rivers intertwined in Henan, which is across the Yellow River, Huaihe River, Haihe River and Yangtze River. The area is 167,000 km².

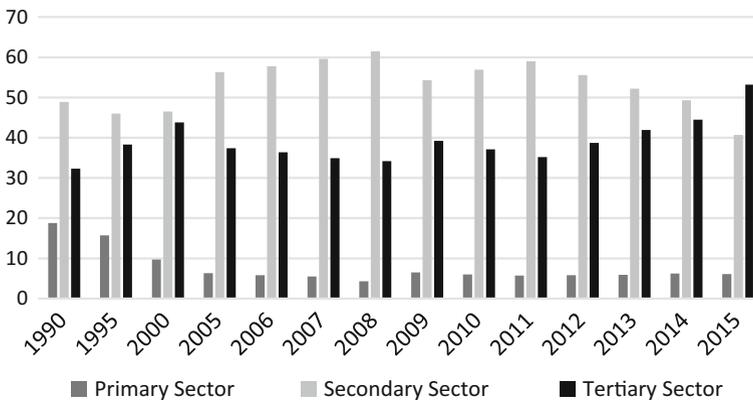


Fig. 9.2 Industrial structure of Shanxi Province (%) *Data Source* Shanxi Statistical Yearbook and Statistical Bulletin

Table 9.2 Sector structure of Shanxi Province, 1990–2015

Index	Primary sector	Secondary sector	Tertiary sector
1990	18.8	48.9	32.3
1995	15.7	46.0	38.3
2000	9.7	46.5	43.8
2005	6.3	56.3	37.4
2006	5.8	57.8	36.4
2007	5.5	59.6	34.9
2008	4.3	61.5	34.2
2009	6.5	54.3	39.2
2010	6.0	56.9	37.1
2011	5.7	59.0	35.2
2012	5.8	55.6	38.7
2013	5.9	52.2	41.9
2014	6.2	49.3	44.5
2015	6.1	40.7	53.2

Table 9.3 Sales of 4 traditional pillar industries in recent years (Unit: 100 million Yuan)

Traditional pillar industries	Coal	Coke	Metallurgy	Power
2006	1670	724.5	1577.5	597.1
2007	2256.2	1039.3	2336.9	736.7
2008	3492.3	1566.8	2385.4	804.5
2009	3383.8	1086.4	1889.1	897.8
2010	5038.3	1434.9	2592.6	1109.6
2011	7260.1	1774.3	3407.4	1231.7
2012	7289.4	1488.8	3846.2	1481.2
2013	7341.4	1326.1	4146.2	1602.3
2014	6781	1026.4	3768.2	1597.2
2015	5759.7	776.9	2713.8	1458.7

Data Source Shanxi Statistical Bulletin

There are many types of formation and complex geological structure in Henan, which is also rich in mineral resources. There are 8 kinds of minerals ranking first in the proven reserves, and 19 kinds of minerals ranking the first three.

9.1.2.2 Variation Trend of the Industrial Structure

Since the reform and opening up, Industrial structure of Henan has experienced a historic change from “II, I, and III” to “II, III, and I” (Fig. 9.3 and Table 9.4).

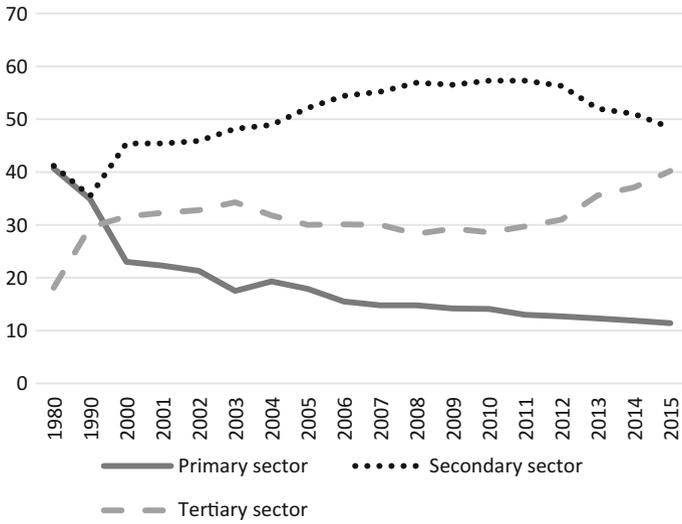


Fig. 9.3 Industrial structure of Henan Province (%)

Table 9.4 The sector structure of Henan Province (%), 1980–2015

Year	Primary sector	Secondary sector	Tertiary sector
1980	40.7	41.2	18.1
1990	34.9	35.5	29.6
2000	23.0	45.4	31.6
2001	22.3	45.4	32.3
2002	21.3	45.9	32.8
2003	17.5	48.2	34.3
2004	19.3	48.9	31.8
2005	17.9	52.1	30.0
2006	15.5	54.4	30.1
2007	14.8	55.2	30.0
2008	14.8	56.9	28.3
2009	14.2	56.5	29.3
2010	14.1	57.3	28.6
2011	13.0	57.3	29.7
2012	12.7	56.3	31.0
2013	12.3	52.0	35.6
2014	11.9	51.0	37.1
2015	11.4	48.4	40.2

Data Source Henan Statistical Yearbook

9.1.2.3 Competitive Industries of Henan

During the period of “Eleventh Five-Year”, sales of food, non-ferrous metals, chemicals, automobiles, equipment manufacturing, and textile and clothing industries have grown by 15.5 over the previous year (Table 9.5).

9.1.3 Hubei Province

9.1.3.1 Introduction

(1) Resources

Yangtze River flows through the territory of 1061 km in Hubei province. In addition, the volume of water energy resources available for development is 31.33 million kilowatts, ranking No. 4 in China. The Three Gorges Project is the biggest in the world. The car industry, metallurgy, mechanical, electrical, chemical, electronic information, textile, and building materials are pillar industries of Hubei. In addition, Dongfeng Motor Corporation, Wuhan Iron and Steel Group and other large state-owned enterprises play an important role in the national economy.

9.1.3.2 Variation Trend of the Industrial Structure

See Fig. 9.4 and Table 9.6.

9.1.3.3 Competitive Industries of Hubei

In December 2010, automotive, petrochemical, steel, food, electronic information and textile industry was list as pillar industries in the conference of the province’s industrial economy. In addition, the metallurgical industry and building materials industry will be established as the dominant industries in Hubei province.

9.1.4 Hunan Province

9.1.4.1 Introduction

Hunan is in the middle of the Yangtze River Delta, the Pan-Pearl River Delta and Midwest of China, it is a convenient channel for industrial transfer. Hunan Province is not only rich in water and land resources, but also famous “hometown of non-ferrous metals” and “non-metallic mining town”. 141 kinds of various minerals have been found, including antimony, tungsten, and manganese.

Table 9.5 Industrial indicators of six major industries above designed size

Industry	Industrial value added (100 million Yuan)												
	2006	2007	2008	2010	2011	2012	2013	2014					
Food	554.39	747.93	1043.27	1389.83	1639.72	1851.23	2126.38	2347.52352					
Non-ferrous metals	413.25	560.50	697.59	868.82	1029.21	272.33	953.36	1064.90312					
Chemical	396.92	474.80	611.10	874.27	948.45	1168.1	1002.29	1167.66785					
Automotive and parts	77.50	110.23	145.65	265.93	-	350.53	454.34	531.12346					
Car	67.28	95.98	123.04	229.16	301.74	-	-	-					
Motor	10.23	14.25	22.60	36.77	-	-	-	-					
Manufacturing equipment	492.15	647.81	902.45	1466.79	1702.10	1823.69	1982.83	2313.96261					
Textile and Apparel	189.51	249.24	326.72	518.68	652.63	640.61	1357.24	1498.39296					
Total	2123.72	2790.51	7305.39	5384.33	6273.85	6106.49	7876.44	8766.48					

Data Source Henan Statistical Yearbook

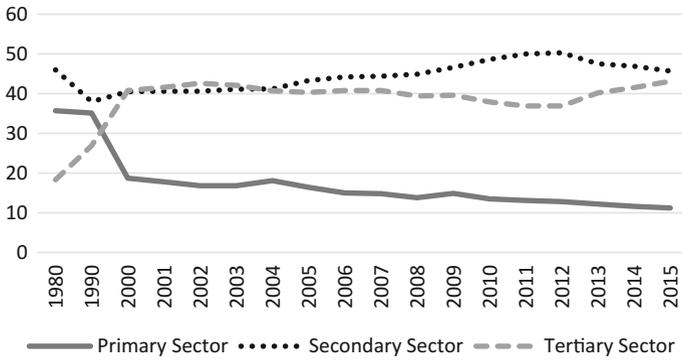


Fig. 9.4 Industrial structure of Hubei Province (%)

Table 9.6 The sector structure of Hubei Province (%), 1980–2015

Year	Primary sector	Secondary sector	Tertiary sector
1980	35.7	46.0	18.3
1990	35.1	38.0	26.9
2000	18.7	40.5	40.8
2001	17.8	40.6	41.6
2002	16.8	40.6	42.6
2003	16.8	41.1	42.1
2004	18.1	41.2	40.7
2005	16.4	43.3	40.3
2006	15.0	44.2	40.8
2007	14.8	44.4	40.8
2008	13.8	44.9	39.4
2009	14.9	46.6	39.6
2010	13.5	48.6	37.9
2011	13.1	50.0	36.9
2012	12.8	50.3	36.9
2013	12.2	47.5	40.2
2014	11.6	46.9	41.5
2015	11.2	45.7	43.1

Data Source Hubei Statistical Yearbook

9.1.4.2 Variation Trend of the Industrial Structure

Since the reform and opening up, the industrial structure of Hunan province has been improved gradually. The proportion of primary sector is declining, with the proportion of tertiary sector rising steadily. In 2012, the proportion of sector is 13.6:47.4:39.0 (Fig. 9.5 and Table 9.7).

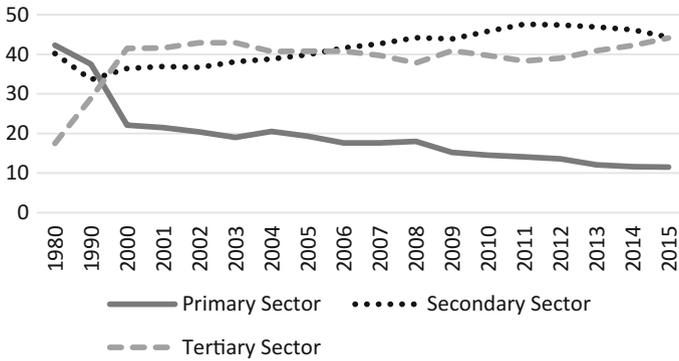


Fig. 9.5 Industrial structure of Hunan Province (%). *Data Source* Hunan Statistical Yearbook

Table 9.7 The industrial structure of Hunan Province (%), 1980–2015

Year	Primary sector	Secondary sector	Tertiary sector
1980	42.3	40.2	17.5
1990	37.5	33.6	28.9
2000	22.1	36.4	41.5
2001	21.5	36.9	41.6
2002	20.4	36.7	42.9
2003	19.0	38.1	42.9
2004	20.5	38.8	40.7
2005	19.3	39.9	40.8
2006	17.6	41.6	40.8
2007	17.6	42.7	39.7
2008	18.0	44.2	37.8
2009	15.2	43.9	40.9
2010	14.5	45.8	39.7
2011	14.1	47.6	38.3
2012	13.6	47.4	39.0
2013	12.1	46.9	40.9
2014	11.6	46.2	42.2
2015	11.5	44.3	44.1

9.1.4.3 Competitive Industries of Hunan

Hunan’s competitive industries are tobacco, mechanical and electrical manufacturing, high-tech and bio-medical industries.

9.2 History and Present Condition of Eastern Province's Competitive Industries

9.2.1 Beijing

9.2.1.1 Introduction

Beijing lies in the northern part of North China Plain, the area of which is 16,400 km². Its east part adjoins the city of Tianjin, and other parts neighbor Hebei province. The communication electronic device industry, transportation facility manufacturing, electric power and heating power producing and supplying industry, ferrous metal smelting and calendaring processing industry, petrol processing and coking industry and nuclear fuel processing industry, sustaining the whole city's industrial economy.

9.2.1.2 Variation Trend of the Industrial Structure

See Fig. 9.6 and Table 9.8.

9.2.1.3 Analysis of Competitive Sectors

Beijing has finished shifting economic development from industrial economy, which was mainly heavy industry, to "capital economy" which puts stress on service industry, high technology industry and so on. Financial industry and wholesale and retail trade have been occupying the first two and grow rapidest (Fig. 9.7; Tables 9.9 and 9.10).

Fig. 9.6 The Variation of structural proportion of the three major industries in Beijing from 1978 to 2015

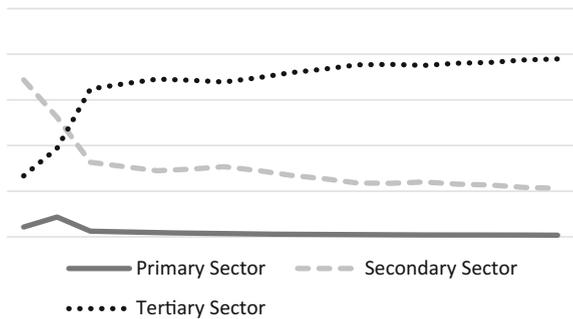


Table 9.8 Structural proportion of the three major sectors in Beijing from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	4.39	68.87	26.74
1990	8.77	52.40	38.84
2000	2.51	32.68	64.81
2001	2.18	30.81	67.01
2002	1.91	28.97	69.12
2003	1.68	29.70	68.62
2004	1.45	30.72	67.83
2005	1.27	29.08	69.65
2006	1.09	26.99	71.91
2007	1.03	25.48	73.49
2008	1.01	23.63	75.36
2009	0.97	23.50	75.53
2010	0.9	24.0	75.1
2011	0.8	23.1	76.1
2012	0.8	22.7	76.5
2013	0.8	21.7	77.5
2014	0.7	21.3	77.9
2015	0.6	19.7	79.7

Data Source Arrangement of Beijing Statistical Yearbook

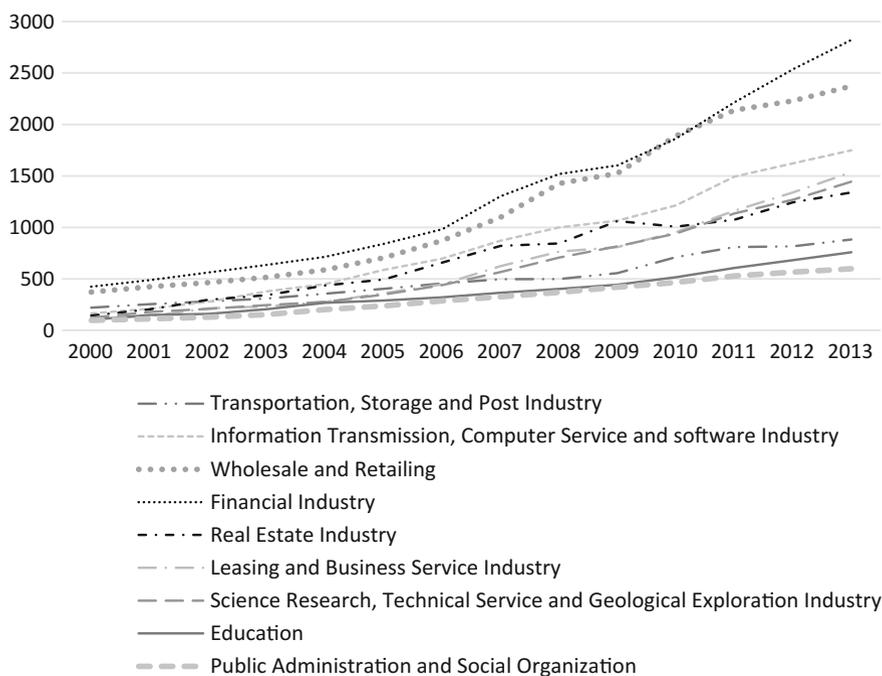


Fig. 9.7 The variation of main sectors' total output value of tertiary industry in Beijing from 2000 to 2013

Table 9.9 The pulling of three major sectors to the growth of GDP of Beijing from 2001 to 2014 (%)

Year	GDP	Primary sector	Secondary sector	Tertiary sector
2001	17.3	0.0	3.4	13.8
2002	16.4	0.0	2.9	13.4
2003	16.0	0.0	5.5	10.5
2004	20.5	0.1	7.3	13.1
2005	15.5	0.0	2.9	12.6
2006	16.5	0.0	2.4	14.1
2007	21.3	0.2	3.9	17.2
2008	12.9	0.1	1.2	11.6
2009	9.3	0.0	2.1	7.2
2010	16.1	0.0	4.4	11.7
2011	15.2	0.1	2.6	12.5
2012	10.0	0.1	1.9	8.0
2013	10.7	0.1	1.3	9.4
2014	7.7	0.0	1.3	6.5
2015	7.9	-0.1	0.0	8.0

Data Source Arrangement of Beijing Statistical Yearbook

9.2.2 Shanghai

9.2.2.1 Introduction

Shanghai lies in the front of Yangtze River Delta overlooking East China Sea on the east and Hangzhou Bay on the south and bordering the provinces of Jiangsu and Zhejiang on the west. With 0.06 of the whole territory and 2 of the whole population, the city has one tenth of the total harbor cargo throughput of the country, and its total value of exports and imports occupies a quarter of the total that in China.

9.2.2.2 Variation Trend of the Industrial Structure

See Fig. 9.8 and Table 9.11.

9.2.2.3 Analysis of Competitive Sectors

Before reform and opening up, Shanghai regularly shifted from a multifunctional economic center to comprehensive industrial base, taking on the heavy task of recovering and developing Chinese economy, thus, the proportion of secondary industry became quite large in Shanghai while tertiary sector lagged behind. In the initial stage of reform and opening up, industrial structure adjustment in Shanghai

Table 9-10 Total output value of main sectors of tertiary sector from 2000 to 2013 (Thousand Million)

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation, Storage and Post Industry	220.6	254.2	281.1	309.0	356.8	403.3	455.2	497.5	498.9	556.6	712.0	809.0	816.3	883.6
Information Transmission, Computer Service and software Industry	164.4	210.1	278.6	378.0	449.6	586.6	696.4	870.5	999.1	1066.5	1214.1	1493.4	1621.8	1749.6
Wholesale and Retailing	372.5	424.1	463	515.5	587.7	704.3	872.0	1098.2	1426.7	1525.0	1888.5	2139.7	2229.8	2372.4
Financial Industry	425.2	487.5	561.9	635.6	713.8	840.2	982.4	1302.8	1519.2	1603.6	1863.6	2215.4	2536.9	2822.1
Real Estate Industry	144.0	203.6	298.0	341.9	436.1	493.7	658.3	821.5	844.6	1062.5	1006.5	1074.9	1244.2	1339.5
Leasing and Business Service Industry	118.8	137.0	214.2	231.6	276.6	360.7	447.1	623.6	765.3	809.6	953.2	1162.1	1340.6	1536.6
Science Research, Technical Service and Geological Exploration Industry	123.0	178.7	209.2	246.2	276.5	347.4	438.6	566.2	706.7	816.9	941.1	1135.5	1268.4	1444.3
Education	102.3	148.8	159.6	206.2	267.4	289.4	320.6	365.2	402.1	444.1	516.2	605.9	681.8	758.2
Public Administration and Social Organization	97.7	111.6	127.7	152.5	201.6	237.3	287.0	326.0	369.6	418.8	464.6	529.5	565.2	597.7

Data Source Arrangement of Beijing Statistical Yearbook

Fig. 9.8 The variation of structural proportion of the three major sectors in Shanghai from 1978 to 2014

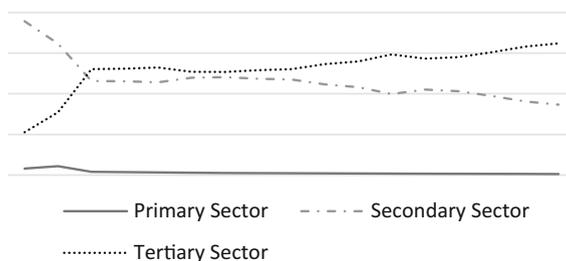


Table 9.11 Structural proportion of the three major sectors in Shanghai from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	3.2	75.7	21.1
1990	4.4	64.7	30.9
2000	1.6	46.3	52.1
2001	1.5	46.1	52.4
2002	1.4	45.7	52.9
2003	1.2	47.9	50.9
2004	1.0	48.2	50.8
2005	1.0	47.4	51.6
2006	0.9	47	52.1
2007	0.8	44.6	54.6
2008	0.8	43.2	56.0
2009	0.7	39.9	59.4
2010	0.7	42.0	57.3
2011	0.7	41.3	58.0
2012	0.6	38.9	60.4
2013	0.6	36.2	63.2
2014	0.5	34.7	64.8
2015	0.4	31.8	67.8

Data Source Arrangement of Shanghai Yearbook

progressed at a relative slow pace, and industrial economy, of which the main body is state-owned enterprises, is still absolutely predominant. At the beginning of 90s, by taking the opportunity of exploiting Pudong, Shanghai advanced that it would exploit Pudong, serve the whole country, have a global outlook and build itself into a world economy, finance and trade center in 21st century. During the Eighth Five-Year Plan period, the sixth Shanghai Congress of the Communist Party of China defined a strategic adjustment of Shanghai industrial structure, which adjusted the economic development order of Shanghai from “secondary, tertiary, primary” to “tertiary, secondary, primary” in accordance with the requirement above (Fig. 9.9; Table 9.12).

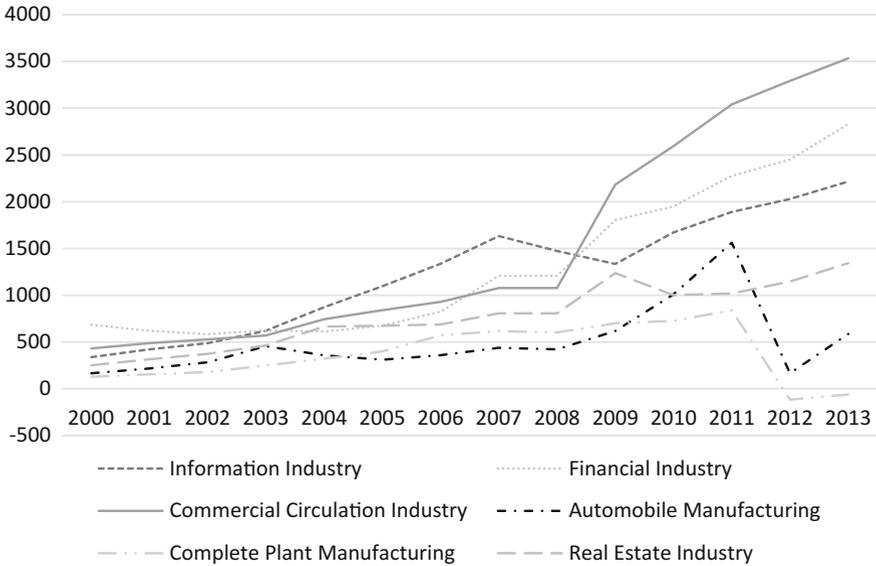


Fig. 9.9 The variation of added value of six pillar industries in Shanghai

9.2.3 Tianjin

9.2.3.1 Introduction

Tianjin is one of Chinese four municipalities directly under the Central Government, the center of which is 137 km far from Beijing. Tianjin is situated in the center of Bohai economic rim, and it is the largest coastal open city in the north of China, the cradle of modern industry, one of the earliest coastal open city in the north of modern China and the center of sea transportation and industry in the north of China.

9.2.3.2 Variation Trend of the Industrial Structure

See Table 9.13.

9.2.3.3 Analysis of Competitive Industries

During the 30 years of reform and opening up, heavy industrial structure of Tianjin has been through an structural evolution from mainly based on basic industry to focusing on deep machining; and form six pillar industries, including electronic information, automobile manufacturing, petrochemical, modern metallurgy, modern medicine, new energy source and environmental protection.

Table 9.12 Added value of six pillar industries in Shanghai from 2000 to 2013 (100 Million)

Six pillar industries	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Information Industry	338.18	422.67	489.07	622.04	873.99	1097.91	1337.89	1632.82	1473.24	1334.76	1672.14	1891.36	2030.24	2216.09
Financial Industry	685.03	619.99	584.67	624.74	612.45	675.12	825.20	1209.08	1209.08	1804.28	1950.96	2277.40	2450.36	2832.29
Commercial Circulation Industry	431.43	488.01	529.04	569.91	745.00	840.89	929.16	1077.76	1077.76	2183.85	2594.34	3040.99	3291.93	3533.10
Automobile Manufacturing	166.05	218.44	284.63	456.00	358.47	311.20	359.52	439.00	423.00	618.84	1010.01	1562.79	167.24	587.26
Complete Plant Manufacturing	129.73	155.53	178.86	250.00	323.15	399.38	572.76	617.00	603.00	701.19	727.35	838.96	-115.54	-59.88
Real Estate Industry	251.70	316.85	373.63	463.93	666.30	676.12	688.10	806.79	806.79	1237.56	1002.50	1019.68	1147.04	1343.77

Data Source Arrangement of Shanghai Yearbook, 2003-2014

Note (1) Added value of information industry contains overlapping factors with other industries, and "the ration of added value of six pillar industries to GDP of Shanghai" in the Table has deducted these double counting factors

(2) Commercial circulation industry doesn't include added value of catering industry

Table 9.13 Structure of the three major sectors in Tianjin from 2003 to 2015(%)

Year	Primary sector	Secondary sector	Tertiary sector
2000	4.3	50.8	44.9
2001	4.1	50.0	45.9
2002	3.9	49.7	46.4
2003	3.5	51.9	44.6
2004	3.4	54.2	42.4
2005	2.9	54.7	42.5
2006	2.3	55.1	42.6
2007	2.1	55.1	42.8
2008	1.8	55.2	43.0
2009	1.7	53.0	45.3
2010	1.6	52.5	46.0
2011	1.4	52.4	46.2
2012	1.3	51.7	47.0
2013	1.3	50.4	48.3
2014	1.3	49.2	49.6
2015	1.3	46.6	52.2

Data Source Arrangement of Tianjin Statistical Yearbook

9.2.4 Hebei Province

9.2.4.1 Introduction

Hebei Province is located in Bohai Sea economic rim, nearby Beijing and Tianjin. It neighbors Tianjin and Bohai Sea on the east, Shandong Province and Henan Province on the southeast, Taihang Mountain and Shanxi Province on the west, Inner Mongolia Autonomous Region on the north and Liaoning Province on the northeast, owning favorable external developmental environment and conditions. Hebei covers 184,700 km² and has a population of 69,890,000 at the end of 2008.

9.2.4.2 Variation Trend of the Industrial Structure

See Fig. 9.10 and Table 9.14.

Fig. 9.10 The variation of structural proportion of the three major sectors in Hebei from 1978 to 2015

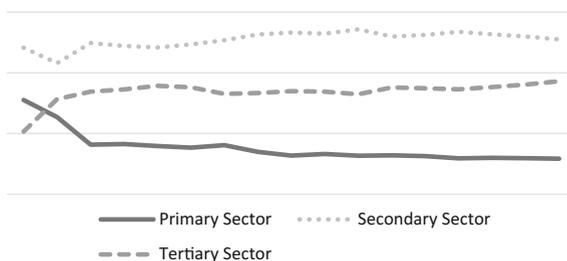


Table 9.14 Structural proportion of the three major sectors in Hebei from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	31.06	48.29	20.65
1990	25.43	43.23	31.34
2000	16.35	49.86	33.79
2001	16.56	48.88	34.56
2002	15.90	48.38	35.72
2003	15.37	49.38	35.25
2004	15.73	50.74	33.53
2005	14.89	51.83	33.28
2006	12.69	53.10	34.21
2007	13.17	52.82	34.01
2008	12.57	54.22	33.21
2009	12.8	52.0	35.2
2010	12.6	52.5	34.9
2011	11.9	53.5	34.6
2012	12.0	52.7	35.3
2013	11.9	52.0	36.1
2014	11.7	51.0	37.3
2015	11.5	48.3	40.2

Data Source Arrangement of Hebei Statistical Yearbook

9.2.4.3 Analysis of Competitive Industries

In recent years, Hebei Province keeps on accelerating the economic growth and promoting adjustment of industrial structure, and has achieved great success. The position of agriculture as the foundation of the economy has been strengthened constantly. The speed of farming structure adjustment becomes much faster; agricultural infrastructure and ecological environment have been improved. The secondary sector is also optimized constantly. The proportion of pillar industries and competitive industries, such as metallurgy, building materials, chemical medicine and mechanical food, keeps growing. Besides, tertiary sector, such as tourism, communication and information, also make great progress, and a tertiary sector system has formed with wide range of sectors and diverse economic sectors developing jointly, which becomes an important pulling strength of national economy.

9.2.5 Shandong Province

9.2.5.1 Introduction

Shandong lies in the east coastal region of China and at lower Yellow River. Shandong faces sea on the east and connects mainland on the west. Its west part is

bordering, in the order from the north to the south, Hebei, Henan, Anhui and Jiangsu. This province is a hub of north and south communications. The prominent part in the center of this province is mountainous and hilly area; most of the east peninsula is gently rolling hills; west and north parts are northwest Shandong Plain coursed by the Yellow River, which is a part of the North China Plain.

9.2.5.2 Variation Trend of the Industrial Structure

See Fig. 9.11 and Table 9.15.

9.2.5.3 Analysis of Competitive Sectors

The structure of three major sectors in the urban agglomeration of Shandong Peninsula and these cities in it presents a pattern of secondary, tertiary and primary, and the proportion of the added value of secondary sector to GDP is 52.5. Secondary sector carries a big weight in the economic development of the urban agglomeration of Shandong Peninsula. Competitive industries of secondary sector mainly include electrical machinery and equipment manufacturing, processing industry of tobacco, leather, fur, eiderdown and product made of it, communication equipment, computer and other kinds of electronic equipment manufacturing, stationery and sporting goods manufacturing and gas production and supply industry in Qingdao (Table 9.16).

9.2.6 Zhejiang Province

9.2.6.1 Introduction

Zhejiang Province lies in southeast coast of China and to the south of Yangtze River delta. The largest river there is Qiantang River. It is one of the smallest

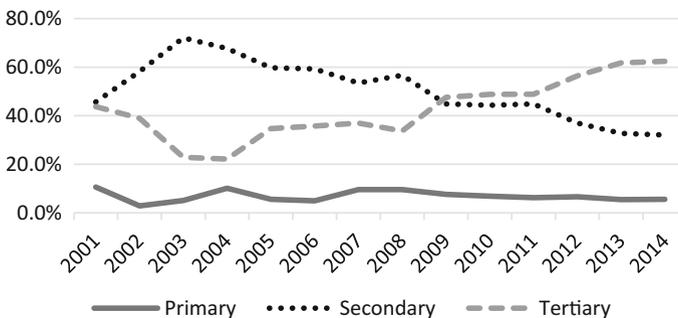


Fig. 9.11 The variation of structural proportion of the three major sectors in Shandong from 1978 to 2015

Table 9.15 Structure of the three major sectors in Shandong from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	36.4	50.0	13.6
1990	28.1	42.1	29.8
2000	15.2	50.0	34.8
2001	14.8	49.5	35.7
2002	13.5	50.5	36.0
2003	12.3	53.7	34.0
2004	11.8	56.5	31.7
2005	10.4	57.4	32.2
2006	9.7	57.7	32.6
2007	9.7	56.9	33.4
2008	9.6	57.0	33.4
2009	9.5	55.8	34.7
2010	9.2	54.2	36.6
2011	8.8	52.9	38.3
2012	8.6	51.4	40.0
2013	8.3	49.7	42.0
2014	8.1	48.4	43.5
2015	7.9	46.8	45.3

Table 9.16 The contribution rate of three major sectors to economic growth of Shandong from 2000 to 2015

Year	Primary sector	Secondary sector	Tertiary sector
2001	10.6	45.7	43.7
2002	2.8	58.2	39.0
2003	5.0	72.1	22.9
2004	10.1	67.7	22.2
2005	5.5	59.8	34.7
2006	5.0	59.3	35.7
2007	9.6	53.5	37.0
2008	9.6	56.7	33.7
2009	7.6	44.9	47.6
2010	6.9	44.3	48.8
2011	6.2	44.9	48.9
2012	6.6	36.9	56.4
2013	5.4	32.7	61.8
2014	5.5	32.1	62.4
2015	5.1	19.5	75.4

provinces of China. There are various mineral resources in this province, among which reserves of alunite is the largest and that of fluorite is the second largest compared with other areas of China.

9.2.6.2 Variation Trend of the Industrial Structure

See Table 9.17.

9.2.6.3 Analysis of Competitive Industries

Some capital-and-technology-intensive industries have become competitive industries of Zhejiang, including chemical fiber manufacturing, general device manufacturing, transportation facility manufacturing, instrumentation and equipment for culture and office manufacturing and medicine manufacturing. By fully taking advantage of all respects, strengthening and improving these competitive industries, promoting the update of industrial structure and increasing competitive advantages, Zhejiang brings about steady and rapid economic development.

Table 9.17 Structural proportion of the three major sectors in Zhejiang from 1978 to 2014 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	35.9	46.7	17.4
1990	24.9	45.1	30.0
2000	10.3	53.3	36.4
2001	9.6	51.8	38.6
2002	8.6	51.1	40.3
2003	7.4	52.5	40.1
2004	7.0	53.6	39.4
2005	6.7	53.4	39.9
2006	5.9	54.1	40.0
2007	5.3	54.1	40.6
2008	5.1	53.9	41.0
2009	5.1	51.8	43.1
2010	4.9	51.6	43.5
2011	4.9	51.2	43.9
2012	4.8	50.0	45.2
2013	4.7	47.8	47.5
2014	4.4	47.7	47.8
2015	4.3	46.0	49.8

Source Arrangement of Zhejiang Yearbook

9.2.7 Fujian Province

9.2.7.1 Introduction

Fujian province lies in the southeast coast of China. It is bordering Zhejiang on the northeast, Jiangxi on the west and northwest and Guangdong on the southwest, and faces Taiwan Island across Taiwan Strait on the east. The territory of this province comprises 157,100 km² terrestrial area and 170,000 km² coastal waters.

9.2.7.2 Variation Trend of the Industrial Structure

See Fig. 9.12 and Table 9.18.

9.2.7.3 Analysis of Competitive Sectors

After analyzing these tables above, conclusion can be made that secondary sector, especially industry, has been occupying a large proportion for the last decade, and competitive industries in industry mainly focus on manufacturing, including textile; clothing, shoes and hats production; leather, fur, feathers, or down in between products; wood processing and articles plaited with wood, bamboo, rattan, palm fiber and straw; nonmetallic mineral product manufacturing; transportation facility manufacturing; electrical machinery and equipment manufacturing; communication equipment, computer and other kinds of electronic equipment manufacturing (Table 9.19).

9.2.8 Guangdong Province

9.2.8.1 Introduction

Guangdong is a province in the south coast of the mainland of China, which lies on the south of Nanling Mount and in the coast of South China Sea. It is bordering

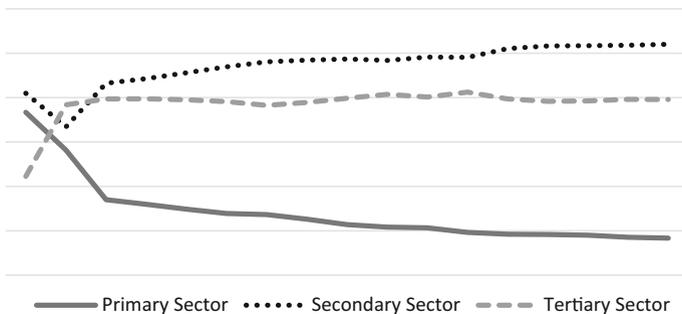


Fig. 9.12 Structural variation of the three major sectors in Fujian from 1978 to 2015

Table 9.18 Structure of the three major sectors in Fujian from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	36.7	41.0	22.3
1990	28.2	33.4	38.4
2000	17.0	43.3	39.7
2001	16.0	44.3	39.7
2002	14.9	45.6	39.5
2003	13.9	47.0	39.1
2004	13.7	48.1	38.3
2005	12.6	48.5	38.9
2006	11.4	48.7	39.9
2007	10.8	48.4	40.8
2008	10.7	49.1	40.2
2009	9.7	49.1	41.0
2010	9.3	51.0	39.7
2011	9.2	51.6	39.2
2012	9.0	51.7	39.3
2013	8.6	51.8	39.6
2014	8.4	52.0	39.6
2015	8.2	50.3	41.6

Data Source Arrangement of Fujian Statistical Yearbook

Table 9.19 Added value of main sectors of the three major sectors in Fujian from 2000 to 2013

	2000	2005	2008	2010	2011	2012	2013
Added Value	3765	6555	10,823	14,737	17,560	19,702	21,760
Primary Sector	641	827	1158	1364	1612	1777	1936
Secondary Sector	1628	3176	5318	7523	9069	10,188	11,315
Industry	1422	2802	4593	6398	7675	8542	9455
Construction Industry	206	374	725	1125	1394	1646	1860
Tertiary Sector	1496	2551	4346	5851	6879	7737	8508
Transportation, Storage and Post Industry	411	447	704	871	964	1090	1176
Wholesale and Retailing	399	571	897	1311	1511	1670	1790
Financial and Insurance Industry	119	186	498	768	862	1015	1175
Real Estate Industry	148	332	507	679	911	1040	1217

Data Source Arrangement of Fujian Statistical Yearbook

Hong Kong, Macao, Guangxi, Hunan, Jiangxi and Fujian and faces Hainan across the sea. The area of the province is 177,900 km², while there are 108,490,000 people living in this region, making it one of the provinces with a large population and narrow territory.

9.2.8.2 Variation Trend of the Industrial Structure

See Fig. 9.13 and Table 9.20.

9.2.8.3 Analysis of Competitive Sectors

After analyzing these Tables above, conclusion can be made that secondary sector pulls the local GDP most, so the competitive sectors mainly focus on secondary

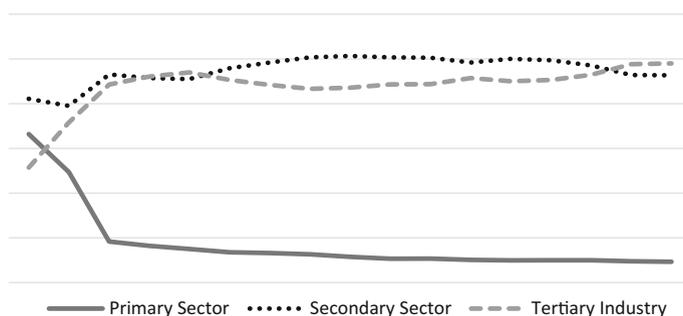


Fig. 9.13 Structural variation of the three major sectors in Guangdong from 1978 to 2016

Table 9.20 Structure of the three major industries in Guangdong from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary industry
1980	33.2	41.1	25.7
1990	24.7	39.5	35.8
2000	9.2	46.5	44.3
2001	8.2	45.7	46.1
2002	7.5	45.5	47.0
2003	6.8	47.9	45.3
2004	6.5	49.2	44.3
2005	6.3	50.4	43.3
2006	5.8	50.6	43.6
2007	5.3	50.4	44.3
2008	5.4	50.3	44.3
2009	5.1	49.2	45.7
2010	5.0	50.0	45.0
2011	5.0	49.7	45.3
2012	5.0	48.5	46.5
2013	4.8	46.4	48.8
2014	4.7	46.3	49.0
2015	4.6	44.8	50.6

Data Source Arrangement of Guangdong Statistical Yearbook

Table 9.21 The pulling of three major sectors to the growth of GDP of Guangdong from 2000 to 2015 (%)

Year	GDP	Primary sector	Secondary sector	Tertiary sector
2001	12.1	0.19	39.03	60.78
2002	12.2	1.79	43.56	54.65
2003	17.3	2.47	61.88	35.65
2004	19.1	5.82	55.89	38.29
2005	19.6	4.87	56.21	38.92
2006	17.9	2.58	52.43	44.99
2007	19.5	3.15	48.85	48.00
2008	15.8	5.53	49.76	44.72
2009	7.3	1.39	34.16	64.45
2010	16.5	4.24	55.05	40.72
2011	15.6	5.26	47.70	47.05
2012	7.2	4.72	32.50	62.78
2013	9.5	2.40	23.92	73.68
2014	8.5	3.56	45.46	50.98
2015	7.4	3.57	23.86	72.56

Data Source Arrangement of Guangdong Statistical Yearbook

sector, including nine sectors. These nine competitive industries can be divided into three traditional industries, three newly emerging industries and three promising industries. The three traditional industries include textile and clothing, food and drink and constructional materials. The three newly emerging industries are electronic information industry, electrical machinery and special equipment and petroleum and chemistry. The three promising industries include papermaking industry, medicine industry and automobile and motorcycle industry (Table 9.21).

9.3 History and Present Condition of Western Provinces' Competitive Industries

Western China includes 12 provinces, municipalities and autonomous regions that are Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Tibet, Xinjiang and Inner Mongolia. The land area is 5.38 million square kilometers, which covers 56% of the whole country.

9.3.1 Sichuan Province

9.3.1.1 Introduction

Located in the hinterland of southwest China, Sichuan Province is in central and western regions of the junction. The province covers an area of 485,000 km²,

accounting for 5.1% of the whole country. Sichuan is China's important production base of grain and food grain output ranking first in the western region, and the rapeseed, pig, silkworm cocoon output ranks first in the country. In addition, Sichuan has abundant water, mineral and biological resources. With the "wealthy" resources, it is the largest water development base. With abundant mineral resources, it has 132 species of proven mineral reserves; the reserves of 46 kinds of mineral resources ranks the top five; vanadium, titanium, lithium, silver, iron ore and other 11 kinds of mineral flow reserves ranks first.

9.3.1.2 Variation Trend of the Industrial Structure

There were three changes in industrial structure from 1978 to 2015 in Sichuan Province, which can be divided into four stages:

Phase I: 1978–1990, primary sector dominated, and industrial structure was as "primary, secondary, tertiary".

Phase II: 1991–1998, secondary sector and tertiary sector accounted for more than the primary sector, becoming the major driver of economic growth.

Phase III: 1999–2004, the tertiary sector accounted for more than the secondary sector, forming the "tertiary, secondary, primary" industrial structure.

Phase IV: 2005–2015, sectors restructured as "secondary, tertiary, and primary". Industrial restructuring led to the economic development of Sichuan Province, but the overall level of industrial structure is still low. In 2015, the industrial structure was 12.2:44.1:43.7, which became more rationalized.

9.3.1.3 The Competitive Industries in Sichuan Province

- (1) Specialized agriculture
- (2) Processing of agricultural products
- (3) Clean energy
- (4) High-tech
- (5) Equipment manufacturing
- (6) The modern tourist.

9.3.2 Guizhou Province

9.3.2.1 Introduction

Located in southwest China, its total area of 176,167 km² accounts for 1.8 of China. Guizhou, known as the "southern sea of coal", is rich in mineral resources where there are abundant mineral resources with a wide range, complete categories

Table 9.22 Changes of industrial structure in Guizhou Province

Years	Industrial structure	Sector rankings
1990	38.5:35.7:25.8	i ii iii
2000	26.3:38.0:35.7	ii iii i
2001	24.2:38.3:37.5	ii iii i
2002	22.6:38.8:38.6	ii iii i
2003	20.9:39.9:39.1	ii iii i
2004	19.9:40.6:39.4	ii iii i
2005	18.5:42.4:39.1	ii iii i
2006	17.2:43.0:39.8	ii iii i
2007	16.8:42.3:40.9	ii iii i
2008	15.1:38.5:46.4	iii ii i
2009	14.2:37.9:47.9	iii ii i
2010	13.6:39.1:47.3	iii ii i
2011	12.7:38.5:48.8	iii ii i
2012	13.0:39.1:47.9	iii ii i
2013	12.3:40.5:47.1	iii ii i
2014	13.8:41.6:44.6	iii ii i
2015	15.6:39.5:44.9	iii ii i

Source Guizhou Provincial Bureau of Statistics according to organize a bulletin

and good geological conditions. Guizhou is a charming and “natural park”, with the beautiful and amazing natural scenery, varied and colorful landscape of caves, wonderful wildlife, famous cultural and revolutionary relics; multi-national long and splendid history and culture, rich ethnic customs mystery, and pleasant climate, making it an ideal tourist attraction and summer resort, and it also attracts a large number of overseas and domestic tourists (Table 9.22).

9.3.2.2 The Dominant Industries in Guizhou

- (1) The power industry
- (2) Non-ferrous metal industry
- (3) Wine industry.

9.3.3 Yunnan Province

9.3.3.1 Introduction

Yunnan Province is in southwest of China, of which the provincial capital is Kunming. Yunnan, namely, “south of colorful clouds”. The total area is about 39 million square kilometers, accounting for 4.11 of China. Yunnan Province, with

a vast territory, rich resources, enjoys the reputations such as “kingdom of plants”, “animal kingdom”, “non-ferrous metals kingdom”, “Spice Township” and “natural garden”. There are more than eighteen thousand kinds of higher plants, including about one million tropical and subtropical higher plants. There are rich tourism resources in Yunnan like the unique frontier scenery, high altitude lakes. Karst wonders, tropical rain forests, snow mountain, canyon, a number of minority historical and cultural sites, diverse climate and colorful ethnic customs.

9.3.3.2 Variation Trend of the Industrial Structure

See Table 9.23.

9.3.3.3 The Dominant Industries in Yunnan

- (1) The tobacco industry
- (2) The tourism industry
- (3) The pharmaceutical industry.

9.3.4 Shaanxi Province

9.3.4.1 Introduction

Shaanxi is one of the important birthplaces of Chinese people and Chinese culture. Its region is narrow, lying north-south high, intermediate low, and there is varied terrain like mountains, plains, basins and so on. Shaanxi has diverse ecological conditions and a wide range of rich plants resources. There are now 6.7039 million hectares of woodland existing in Shaanxi, of which the forest coverage is 32.6; and 4.6759 million hectares of natural forests. Shaanxi is one of China's richest provinces in tourist resources, with resource of high grade, large stock and variety, deep culture accumulates and rich over ground and underground cultural relic, known as the “natural history museum”.

Table 9.23 Structure of Yunnan Province three industrial added values (%)

	1978	1992	2000	2005	2008	2009	2010	2011	2012	2013	2014	2015
Primary sector	42.7	30.2	21.5	19.3	17.9	17.3	15.3	15.9	16.0	15.7	15.5	15.1
Secondary sector	39.9	35.4	41.4	41.2	43.0	41.8	44.6	42.5	42.9	41.7	41.2	39.8
Tertiary sector	17.4	34.4	37.1	39.5	39.1	40.9	40.0	41.6	41.1	42.5	43.3	45.1

Data Source Yunnan Provincial Bureau of Statistics

Table 9.24 Changes in industrial structure in Shaanxi from 1978 to 2013 (%)

Years	Primary sector	Secondary sector	Tertiary sector
2000	14.3	43.4	42.3
2001	13.1	43.7	43.2
2002	12.5	44.7	42.8
2003	11.7	47.2	41.1
2004	12.2	48.9	38.9
2005	11.1	49.6	39.3
2006	10.2	51.7	38.1
2007	10.3	51.9	37.8
2008	10.3	52.8	36.9
2009	9.7	51.9	38.5
2010	9.8	53.8	36.4
2011	9.8	55.4	34.8
2012	9.5	55.9	34.7
2013	9.0	55.0	36.0
2014	8.8	54.1	37.0
2015	8.9	50.4	40.7

Data Source Bureau of Shanxi Province

9.3.4.2 Variation Trend of the Industrial Structure

With economic development and the continuous adjustment of industrial structure, Shaanxi gradually rationalizes the industrial structure toward a healthy direction. The proportion of primary, secondly and tertiary sectors are shown as follows (Table 9.24).

9.3.4.3 The Dominant Industries in Shanxi

- (1) High-tech industries
- (2) The fruit industry
- (3) Animal husbandry
- (4) The tourism industry.

9.3.5 Chongqing

9.3.5.1 Introduction

Chongqing is one of the four municipalities of the PRC, China's major economic growth pole in the western region, one of China's major industrial bases, with the leading comprehensive economic strength in the West; the total economy of Chongqing municipality ranks fifth in the western 12 provincial-level regions, and first in the main city. Chongqing is a city with a combination of large rural areas and vast rural areas with a large agricultural population.

9.3.5.2 Variation Trend of the Industrial Structure

See Tables 9.25 and 9.26.

9.3.5.3 The Dominant Industries in Chongqing

- (1) High-tech industries
- (2) The motorcycle industry.

9.3.6 Gansu Province

9.3.6.1 Introduction

Gansu is abbreviated Gan or Long and located in the abdomen area of China's Yellow River. 175 kinds of various minerals have been found in the province, including 94 kinds of proven mineral reserves, ranking first in the country in the minerals, which are nickel, cobalt, platinum group metals (platinum, palladium, iridium, rhodium, osmium, ruthenium), mineral selenium, casting clay, finishing with six kinds of serpentine. After decades of construction, Gansu has built a

Table 9.25 Contribution rate of three sectors in Chongqing from 1990 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1990	34.7	49.4	15.9
2000	-1.0	48.7	52.3
2001	5.4	44.1	50.5
2002	9.0	45.7	45.4
2003	6.6	54.6	38.8
2004	18.6	50.5	31.0
2005	8.2	43.2	48.6
2006	-17.5	70.0	47.5
2007	12.5	64.6	22.9
2008	8.3	61.7	30.0
2009	4.3	53.1	42.6
2010	5.6	65.2	29.1
2011	7.6	56.8	35.6
2012	6.8	30.9	62.3
2013	4.6	-11.9	107.3
2014	3.9	48.5	47.6
2015	6.1	37.1	56.7

Data Source Chongqing Municipal Bureau of Statistics

Table 9.26 Changes in industrial structure in Chongqing from 1978 to 2015 (%)

Year	Primary sector	Secondary sector	Tertiary sector
1978	36.9	45.8	17.3
1990	33.4	39.4	26.9
2000	17.8	41.3	40.9
2001	16.7	41.5	41.8
2002	16.0	41.9	42.1
2003	15.2	43.4	41.4
2004	16.2	44.3	39.5
2005	15.1	41.0	43.9
2006	12.3	43.0	44.7
2007	12.9	44.6	42.5
2008	11.3	47.7	41.0
2009	9.3	52.8	37.9
2010	8.6	55.0	36.4
2011	8.4	55.4	36.2
2012	8.2	52.4	39.4
2013	7.8	45.5	46.7
2014	7.4	45.8	46.8
2015	7.3	45.0	47.4

Data Source Chongqing Statistical Bulletin

characteristic industrial system focusing on metallurgical, petrochemical, energy, electronics, building materials and so on.

9.3.6.2 Variation Trend of the Industrial Structure

Since 1983, Gansu Province, the industrial structure has undergone great changes. In terms of changes in the long-term trend, there has been a significant improvement in the industrial structure of Gansu and a rationalization of industrial structure. Seen from phases, the evolution of industrial structure in Gansu can be divided into three phases in the Table below:

Phase I: 1983–1991, which is the rapid development of tertiary sector in Gansu period. At this stage, the tertiary sector in Gansu is from 22.87 in 1983 to 34.24 in 1991. Secondary sector is from 46.91 in 1983 down to 41.24 in 1991. The primary sector is from 30.22 in 1983 down to 24.52 in 1991.

Phase II: 1992–2000, the proportion of tertiary sector rose in 2000 for the first time exceeding the proportion of secondary sector. The tertiary sector rose from 36.17 in 1992 to 41.52 in 2000. Primary and secondary sector continued to decline from 23.35 and 40.39 in 1992 down to 18.44 and 40.05 in 2000 respectively.

Phase III: 2001–2014, secondary sector was on the rise. First, primary sector and secondary sector have declined. The decline of tertiary sector is related to increasing industrial investment by Gansu government.

9.3.6.3 The Dominant Industries in Gansu

- (1) The potato industry
- (2) The vegetable industry
- (3) The fruit industry.
- (4) Chinese herbal medicine industry.

9.3.7 Inner Mongolia

9.3.7.1 Introduction

Inner Mongolia is located in the northern frontier of China, Mongolia and north-west close to Russia. On the vast fertile land of Inner Mongolia, there are dense forests, lush meadows, fertile farmland, vast water, wildlife and quite a lot of mineral resources. There are 5.49 million hectares of existing cultivated land in Inner Mongolia and 0.24 ha of arable land per capita, which is three times the national per capita arable land. The area of actual available arable land is over eight million hectares, ranking first by per capita arable land area in China. Vast natural grassland in Inner Mongolia ranks the first by the total area in the five prairies of China, which is an important animal husbandry production base. Inner Mongolia is one of the provinces where there are complete types of deposit. Now 4100 deposits of various types have been found, and the number of the types is up to 128. There are 83 kinds of proven reserves and reserves on the balance sheet, of which there are 2 kinds of energy minerals, 32 kinds of metallic minerals, and 49 kinds of non-metallic minerals. Among the proven mineral reserves, there are 7 kinds ranking first in China, 22 kinds in the top 3, 41 kinds in top 5 and 56 kinds in the top 10.

9.3.7.2 Variation Trend of the Industrial Structure

Inner Mongolia trend Table can be obtained from the next few Tables.

From the foregoing, the Inner 'industrial structure has undergone profound changes in the industrialization and vigorously promote the industrialization of agriculture and animal husbandry, while the service sector has also been rapid developed, Three industrial added value increased from 21.5:42.1:36.4 in 2002 to 9.1:50.5:40.4 in 2015, thus compared with the national level, three industrial development were relatively balanced, gradually forming a "secondary, tertiary, primary" structure model (Table 9.27).

Table 9.27 2002–2015 Inner Mongolia, the ratio of the industrial structure changes (%)

Year	Primary sector	Secondary sector	Tertiary sector
2002	21.5	42.1	36.4
2003	20.2	45.3	34.5
2004	18.7	49.1	32.2
2005	15.7	44.1	40.2
2006	13.4	48.6	38
2007	13	51.2	35.8
2008	10.7	51.5	37.8
2009	9.6	52.4	38
2010	9.4	54.5	48.1
2011	9.1	56	49.5
2012	9.1	55.4	48.7
2013	9.3	53.8	36.9
2014	9.2	51.3	39.5
2015	9.1	50.5	40.4

Data Source Based on the Production of Inner Mongolia Bureau of Statistics

9.3.7.3 The Dominant Industries in Inner Mongolia

- (1) The livestock industry
- (2) Mineral resources
- (3) The tourism industry.

9.3.8 Guangxi

9.3.8.1 Introduction

Guangxi has mineral resources with large reserves. 145 kinds of minerals have been found in the whole autonomous region (including subspecies), accounting for 45.8 of the total proven reserves of minerals in the country; 97 species of mineral proven reserves have been found, of which 64 kinds ranking in the top 10 and 12 kinds ranking first in the nation. 35 kinds of proven reserves in Guangxi are among the 45 kinds of important mineral resources. It is particularly rich in non-ferrous metal ore, being one of the top ten non-ferrous minerals areas. Besides, the scenery is beautiful, the folks are friendly and the tourism resource is unique in Guangxi.

9.3.8.2 Variation Trend of the Industrial Structure

- (1) An historic transformation of industrial structure has taken place, which is from industrial structure (40.7:34.0:25.3) dominated by traditional agriculture in 1978 to industry-oriented industrial structure (15.3:45.9:38.8) in 2014.

- (2) The proportion of primary sector decreased, while the proportion of secondary and tertiary sectors increased significantly. The proportion of primary sector dropped from 40.7 in 1978 to 15.3 in 2015, down 25.4 percentage points; the proportion of secondary and tertiary sectors rose respectively from 34, 25.3 in 1978 to 45.9, 38.8 in 2015.

9.3.8.3 The Dominant Industries in Guangxi

Guangxi competitive industries are new industries forming in recent years, of which there are seven types recommended by autonomous region in 2008. And they are sugar-based food industry, the aluminum-based non-ferrous metal industry, refining-based petrochemical industry, steel-based metallurgical industry, automotive industry dominated by small cars machinery industry dominated by engineering machinery, power industry dominated by power supply construction. Guangxi industries developed rapidly in recent years, reaching a considerable scale in 2015 (Table 9.28).

9.3.9 Qinghai

9.3.9.1 Introduction

Qinghai Province is in south-central Northwest China and is located in the Qinghai-Tibet Plateau, and the upstream region of Yangtze River and Yellow River. Qinghai has vast territory and abundant resources, of which the total land area is 721,200 km², existing 568,300 ha of farmland, 466,700 ha of should-be available arable land area and abundant water resources. There are 266 lakes whose area is larger than 1266 km²; the total area of lakes reaches 12,600 km². Qinghai has the characteristics of Qinghai-Tibet Plateau with its magnificent and sublime natural scenery. Yangtze River, Yellow River both originate from Qinghai. The source of the Yangtze River has beautiful scenery, where ice towers that tens of

Table 9.28 Output value of industries in Guangxi in 2015

Category	Output value	Unit	Growth rate (%)
Sugar	925.73	10,000 tons	-11.7
Non-ferrous metals	157.48	10,000 tons	11.8
Car	229.40	10,000 set	9.6
Fermented alcohol	861.493	Kiloliter	0.8
Electricity	1227.68	100 million kwh	-3.2
Chemical fertilizer	1110.45	10,000 tons	2.9
Papermaking	282.61	10,000 tons	-10.9

Data Source Guangxi's Economic and Social Development Strategy Researching Center

Table 9.29 Changes in industrial structure of Qinghai (%), 2000–2015

Year	Primary sector	Secondary sector	Tertiary sector
2000	14.6	43.3	42.1
2005	11.6	48.7	39.7
2006	10.9	51.6	37.5
2007	11.35	52.1	36.6
2008	10.4	54.7	34.9
2009	9.9	53.3	36.8
2010	10.0	55.1	34.9
2011	9.3	58.4	32.3
2012	9.3	57.7	33.0
2013	9.6	54.3	36.1
2014	9.4	53.6	37.0
2015	8.6	49.9	41.4

Data Source Qinghai Statistical Yearbook

meters high reach to cloud-clear sky, stretching hundreds of miles, thus it is a good place for sightseeing.

9.3.9.2 Variation Trend of the Industrial Structure

Before liberation, the agricultural areas were at a long-term feudal society, and livestock areas remain at the basic stage of feudal slavery, so there was no modern industry.

In recent years, Qinghai Provincial Government respond positively to the western development policy, a series of measures are taken so that Qinghai's industrial structure was improved to some extent, but there still shows the characteristics of typical resource-based and primary, and structural factors constraining economic growth still exist (Table 9.29).

9.3.9.3 Qinghai Industries—Green Food

Qinghai has vast territory, rich natural resources, good ecological environment and less pollution. Products include mutton, edible oil, salt, soy, dairy products, bee products, beverages, etc.

9.3.10 Tibet

9.3.10.1 Introduction

Tibet Autonomous Region is located in the southwestern border of the motherland, known as the “Roof of the World” and “the world’s third pole, covering an area

of more than 1.2 million square kilometers, which is a Tibetan-based autonomous region with more than 32 million people. Tibet, with its majestic, magnificent natural scenery, is known to all. Tibet has vast territory, spectacular landscape, and abundant resources. Since ancient times, people of this land create a rich and splendid culture. Tibet has a magnificent rivers and mountains, exotic ethnic customs, dotted with temples and fairy-like landscape.

9.3.10.2 Variation Trend of the Industrial Structure

Tibet's industrial structure presents in 1959 for the special "primary, tertiary, secondary" type. This particular industrial structure has been extended to 1978, the first time the secondary sector exceeded the tertiary sector, and the industrial structure became "primary, secondary, tertiary" type that more in line with the classical theory, the ratio of which idea 50.7:27.7:21.6.

Until 1984, the tertiary sector exceeded the second sector again, Tibet's industrial structure presents the special "primary, tertiary, secondary" type; With the further development of reform and opening up and the continuous adjustment on economic structure, following the guidance that "developing the first sector stably, develop the secondary sector selectively, develop the tertiary sector vigorously", Tibet's industrial structure has been further optimized, the proportion of three sectors in 1978 which is 50.7:27.7:21.6 is changed into 37.8:21.9:40.3 in 1997, and secondary sector and tertiary sector has been more substantially increased. The tertiary sector for the first time exceeded the first sector, the industrial structure experienced a smooth transition to the "tertiary, primary, secondary" model, and thus the traditional agricultural economy model was broken. In 2015 the ratio of the changes in industrial structure changed to 9.6:36.7:53.8, which tended to be more reasonable.

9.3.10.3 Tibet Industries—Tourism

Tibet tourism projects are mainly based on cultural tourism; as well as mountain climbing, hiking, scientific investigation and other special tours. Throughout the tour there are 60 points for tourists to visit, forming the attractions distribution pattern as the center of Lhasa, combined with Shigatse and Shannan and radiate Nagqu, Ali, Nyingchi and other places. Its special scene and religionary culture attract many domestic and foreign tourists. The tourism industry leads the Tibet economy. Since the 16th Party Congress, relying on the Qinghai-Tibet railway, Nyingchi airport and other major historical opportunity, Tibet's tourism has entered a golden age.

9.4 History and Present Condition of Northeast Provinces' Competitive Industries

The three northeastern provinces used to be an important industrial base in China, and they have contributed greatly to the National Economical Construction in China. Since the reform, nevertheless, development of the three northeastern provinces has been greatly lagged behind other coastal areas. To accelerate the development of the North-East, the Central made a major revitalization of old industrial bases in northeast China policy, and the modernization and development of the west side of the East-West interaction of the two wheels.

The eleventh five-year plan pointed out that in order to implement the strategy of revitalization of old industrial bases in northeast China, readjustment of the industrial structure and reform, reorganization, upgrading of state-owned enterprises in northeast China should be accelerated, and revitalization should be achieved with reform and opening.

The northeast China should develop modern agriculture, strengthen the construction of grain base, and actively promote the mass-production, specialization, mechanization and industrialization of agricultural operation, raise the commodity rate and added value. Establish deep processing bases of advanced equipment, fine steel, petro chemistry, automobile, shipbuilding, and agricultural and subsidiary products.

9.4.1 Heilongjiang

9.4.1.1 Introduction

Heilongjiang Province is the main hub between China, North Korea and Russia. It has developed border trade and economic cooperation between neighboring CIS countries such as Russia by means of its geographical superiority. It has opened 25 trade passes to Russia, and has energetically developed business with Northeast Asia, Southeast Asia and others countries or regions by holding export commodities fair and economic and trade fair.

Land condition of Heilongjiang Province ranks first in China. Both the total area under cultivation and exploitable land reserve resources accounts for more than one-tenth in China. The cultivated land per capita and business cultivated land per peasant is 3 times of the national average. Heilongjiang Province is an important energy industry base in China. Its crude oil production was 41,698 million tons, coal production was 79,971 million tons, and the natural gas production was 2.55 billion cubic meter in 2007. In addition, the eastern coal-electricity base is ranked one of the seven national coal chemical industry bases. In addition to this, electric power industry also occupies an important place. Coal reserves ranks first in three northeastern provinces.

There are 71 mineral products had been exploited and Utilized in Heilongjiang Province, the annual production value of mineral products ranks second in China.

9.4.1.2 Variation Trend of the Industrial Structure

Whether the industrial structure is rational concerns economic growth of this country or region and the leading position of playing advantage industry. The following are variation trend of industrial structure in Heilongjiang Province after the reform and opening-up, representing by GDP composition in three sectors (Tables 9.30 and 9.31).

It can be concluded from above Tables that what determines the industrial structure evolution is still industry. Industry and the change of its inner structure show the major feature of industrial structure evolution in northeast China, industrial comparative advantage is relatively weak, and most of the industrial structure is heavy industry, and the conversion of the inner industrial structure is dual lagged. We can see from the contribution of the three industrial structure change to the economic growth in last 10 years that the contribution of the tertiary sector is relatively weak. The reason is that it depends on the geographic location and resource superiority of this province.

Table 9.30 GDP composition of three sectors in this region (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	25.0	59.3	15.7
1990	22.4	50.7	26.9
2000	12.2	55.0	32.9
2001	12.8	52.3	34.8
2002	13.0	50.7	36.3
2003	12.4	51.4	36.2
2004	12.5	52.4	35.2
2005	12.4	53.9	33.7
2006	12.1	54.3	33.6
2007	13.0	52.3	34.7
2008	13.1	52.5	34.4
2009	13.9	47.3	38.8
2010	12.6	48.4	39.0
2011	13.5	47.4	39.1
2012	15.4	44.1	40.5
2013	17.1	40.4	42.4
2014	17.4	36.9	45.8
2015	17.5	31.8	50.7

Data Source Heilongjiang Statistical Yearbook

Table 9.31 Contribution of each sector to economic growth (%)

Year	Primary sector	Secondary sector	Tertiary sector
2000	2.1	61.4	36.5
2001	22.0	17.4	60.6
2002	15.6	28.5	55.9
2003	7.3	57.4	35.3
2004	14.6	58.0	27.4
2005	10.3	63.5	26.2
2006	9.4	56.4	34.2
2007	18.5	37.0	44.5
2008	14.3	51.6	34.1
2009	24.0	-95.0	171.0
2010	8.3	54.1	37.5
2011	18.0	42.3	39.6
2012	37.1	6.8	56.1
2013	47.2	-25.0	77.8
2014	23.5	-51.7	128.2
2015	50.0	-1685.1	1735.1

9.4.1.3 Analysis of the Current Situation of the Competitive Industries

Development of six bases in Heilongjiang Province had been speeded up in 2005. Gross value of industrial output of the six bases including equipment industry, petrochemical industry, energy industry, food industry, pharmaceutical industry and trees processing industry amounted to 438.38 billion Yuan, up 29.4% over the previous year, accounted for 94.8 of the above designated size industry, and it has contributed a 27.6 increase in industrial production (Table 9.32).

Gross value of industrial output of the six bases including equipment industry, petrochemical industry, energy industry, food industry, pharmaceutical industry and trees processing industry amounted to 510.51 billion Yuan, up 15.9% over the previous year, accounted for 94.6 of the above designated size industry, and the tax totaled 170.35 billion Yuan, up 17.6% over the previous year, accounted for 98.3 of the above designated size industry.

9.4.2 Liaoning Province

9.4.2.1 Introduction

(1) Location advantage

Liaoning is located in the northeast of China. The transportation here is the most developed in northeastern provinces, also the only one that has access to the sea, its

Table 9.32 Key economic indicators of the four leading industries (2012)

Indicator	Gross output value (10,000 Yuan)	Prime operating revenue (10,000 Yuan)	Total profit (a hundred million Yuan)	Average number of employees (person)
Total	125,655,541	125,261,436	13,385,582	10,867,497
Equipment industry	48,931,735	49,854,042	8,977,388	828,199
Fabricated metal industry	1,247,088	1,242,885	61,761	17,280
General equipment manufacturing industry	3,641,754	3,504,066	339,412	53,267
Special equipment manufacturing industry	3,726,862	3,326,881	282,486	48,785
Transportation equipment manufacturing industry	2,102,548	2,280,016	102,210	29,832
Electrical machinery and equipment manufacturing industry	10,847,286	11,404,957	673,763	148,038
Communication equipment, computer and other electronic equipment manufacturing	161,022	163,103	29,424	3250
Measuring instruments and office machinery industry	190,448	189,486	18,953	6650
Petroleum processing, coking and nuclear fuel processing industry	13,876,303	13,728,127	2,163,206	69,617
Chemicals and chemical products manufacturing industry	5,652,735	5,298,422	477,264	41,166
Chemical fiber manufacturing industry	43,615	52,391	-14,011	857
Rubber products industry and plastic products industry	1,570,011	1,573,294	118,327	17,683
Coal mining and washing industry	7,328,253	6,700,379	830,059	293,383
Oil and gas industry	19,808,765	20,013,961	15,689,636	117,100
Electric power, heat power production and supply industry	11,853,684	12,431,133	673,763	148,038
Gas production and supply	867,752	886,863	42,858	5284
Food manufacturing industry	4,586,801	4,465,916	547,127	45,065
Agricultural food processing industry	21,713,782	22,208,392	1,625,341	129,769
Wine, soft drinks and refined tea manufacturing industry	2,913,067	2,851,198	321,233	32,470
Tobacco industry	1,023,073	1,012,543	679,075	7355

Data Source Heilongjiang Statistical Yearbook

excellent harbor has opened stronger ties with other countries around the world and won the opportunities for development. To consider from the regional economic standpoint, Liaoning is at the junction of Northeast China, Bohai Economic Rim and the Yellow Sea Rim, is the bridge between Northeast China and the eastern coastal areas. In addition, it is the hub of economic development in Northeast China.

(2) The superior resources endowment

Liaoning has rich minerals with excellent conditions for mineralization, well-found category mineral resources and excellent location condition. At present, 110 kinds of minerals have been discovered and among the 45 kinds of minerals that have significant impact on the national economy, Liaoning owns 36, with 620 mineral deposits in it. Liaoning Magnetite has an advantage in the world, and coal, coal bed methane, natural gas, manganese, molybdenum, gold, silver and flux limestone have advantages too.

(3) Strong industrial base

Liaoning is one of the important old industrial bases in China. At present, there are 39 Main category, 197 middle category and more than 500 detailed category of industries in Liaoning, and is one of the provinces with most complete industries in China. Equipment industry and raw material industry in Liaoning are relatively developed. Major equipment products such as metallurgical mines, power transmission and transformation, petrochemical general, metal machine tool and steel, petrochemical industry plays an important role in China. There are some well-known integrated iron and steel works here, for instance Anshan Iron and Steel Company and Benxi Steel. Petro chemistry industry has a characteristic of long industry chain, high added value and large pulling power, and is the important strategic and foundational industry. Equipment industry has a good industry base, and a complete range of industrial system of certain scale has been initially formed (Table 9.33).

9.4.2.2 Variation Trend of the Industrial Structure

It can be seen that the industrial structure of Liaoning Province has been in structure “II III I” and there has been a steady trend. The industrial structure is relatively reasonable and especially in the twenty-first century, the secondary sector has a slight downward trend and the tertiary sector has a steady growth. This shows that Liaoning Province is in a conversion period between secondary sector and tertiary sector, and the development of the industrial structure is emerging a trend of upgrading.

Table 9.33 GDP composition of the region (%)

Year	Primary sector	Secondary sector	Tertiary sector
1980	16.4	68.4	15.2
1990	15.9	50.9	33.2
2000	10.8	50.2	39.0
2001	10.8	48.5	40.7
2002	10.8	47.8	41.4
2003	10.3	48.3	41.4
2004	11.2	47.7	41.1
2005	10.7	48.8	40.5
2006	10.5	51.0	38.5
2007	10.7	52.9	36.4
2009	9.4	51.9	38.7
2010	8.8	54.1	37.1
2011	8.6	54.7	36.7
2012	8.7	53.2	38.1
2013	8.1	51.3	40.5
2014	8.0	50.2	41.8
2105	8.3	45.5	46.2

Data Source Liaoning Statistical Yearbook and Liaoning Statistical Bulletin

9.4.2.3 Analysis of the Current Situation of the Competitive Industries

We can see from the practical situation of Liaoning industries in 2005 that equipment industry, metallurgical industry, agricultural product processing industry and Petrochemical industry are the leading industries in Liaoning, and they occupy an important strategic position in the industrial system of Liaoning. Revitalization and development of these industries is tremendously significant for improving the economic competitiveness of Liaoning. The driving role of Mainstay industry in Liaoning has been increased in 2013.

- (1) The added value of the equipment industry has been increased by 9.93, accounting for 25.71 of the above designated size industry. The added value of the general equipment industry has been increased by 7.87; the growth rate of the transportation equipment manufacturing industry, the special equipment manufacturing industry was 11.06.
- (2) The added value of the metallurgical industry has been increased by 30.62, accounting for 40.66 of the above designated size industry (Fig. 9.14).
- (3) The added value of agricultural product processing industry has been increased by 21.7, accounting for 17.57 of the above designated size industry. In addition, the growth rate of added value of the agricultural food processing industry, tobacco industry and beverage manufacturing industry is 3.8.

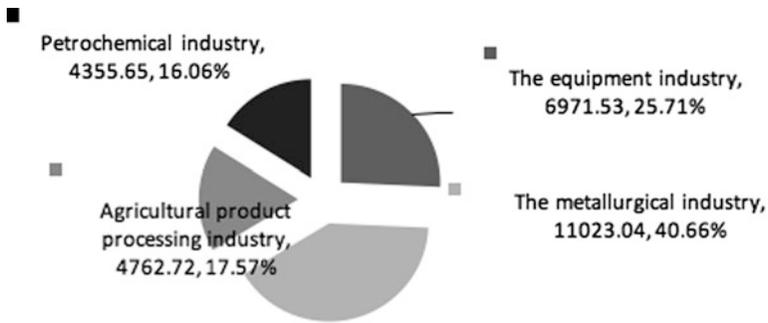


Fig. 9.14 The industrial structure of the above-designated size industry in Liaoning in 2015

- (4) Petrochemical industry is one of the leading industries in Liaoning Province. Liaoning is the province that owns the largest oil refinery, and the added value of Petrochemical industry has been increased by 6.8, accounting for 16.06 of the above designated size industry.

9.4.3 Jilin

9.4.3.1 Introduction

Jilin Province is located in the center of Japan, Russia, North Korea, Korea, Mongolia and Northeast China. It is bound by coastal border area of Russia to the east, separated by Tumen River and Yalu River to the Southeast.

Driven by the national strategy of revitalizing northeast old industrial base and rejuvenating the northeastern China policy, great progress has been made in industrial base and major projects in Jilin, and the development of industries has been accelerated.

9.4.3.2 Variation Trend of the Industrial Structure

See Table 9.34.

9.4.3.3 Analysis of the Current Situation of the Competitive Industries

Five leading industries of Jilin Province are automobile industry, chemical industry, deep processing of agricultural product industry and Chinese medicine industry, and they have created an innovation model in Jilin (Table 9.35).

Table 9.34 GDP composition of three sectors in this region (Unit: One hundred million Yuan)

Year	Primary sector	Secondary sector	Tertiary sector
1996	28.1	40.6	31.3
1997	25.9	39.3	34.8
1998	27.6	38.3	34.1
1999	25.6	39.6	34.8
2000	22.0	44.0	34.0
2001	21.1	43.3	36.6
2002	20.3	43.0	36.7
2003	19.4	45.2	35.4
2004	19.0	46.6	34.4
2005	16.8	44.4	38.8
2006	16.1	44.4	39.5
2007	15.6	45.7	38.7
2008	14.3	47.7	38.0
2009	13.6	48.5	37.9
2010	12.1	52.0	35.9
2011	12.1	53.1	34.8
2012	11.8	53.4	34.8
2013	11.2	52.7	36.1
2014	11.0	52.8	36.2
2015	11.4	49.8	38.8

Data Source Jilin Statistical Bulletin

Table 9.35 Unit: One hundred million Yuan

	Transportation and equipment manufacturing	Petrochemical industry	Food industry	Pharmaceutical manufacturing	Communication equipment, computer and other electronic equipment manufacturing
2005	334.70	285.70	122.60	64.50	4.30
Up over previous year	-2.90	12.60	30.20	7.40	-4.30
2006	366.29	318.43	180.64	79.76	4.33
Up over previous year	23.60	7.50	24.70	22.70	-5.70
2007	515.37	381.75	255.72	106.87	10.52
Up over previous year	31.90	9.70	25.70	27.20	56.40
2008	617.43	483.18	399.48	134.06	10.71
Up over previous year	13.90	8.60	34.00	19.30	20.90

(continued)

Table 9.35 (continued)

	Transportation and equipment manufacturing	Petrochemical industry	Food industry	Pharmaceutical manufacturing	Communication equipment, computer and other electronic equipment manufacturing
2009	734.57	405.64	498.20	175.05	13.77
Up over previous year	13.60	5.80	20.70	25.40	13.90
2010	1091.40	565.44	596.18	218.83	75.9
Up over previous year	24.6	7.8	16.6	25.0	27.9
2011	1297.00	678.67	706.47	234.87	95.04
Up over previous year	12.4	12.8	24.3	32.4	33.7
2012	1243.96	801.96	965.52	298.86	124.87
Up over previous year	16.0	9.7	17.3	14.3	4.9
2013	1427.67	859.73	1092.03	397.85	141.73
Up over previous year	11.3	8.8	9.5	21.1	13.1
2014	1615.89	886.10	1136.31	502.26	150.80
Up over previous year	6.2	4.5	3.4	15.4	6.4

Data Source Jilin Statistical Bulletin

Chapter 10

Urban Competitive Analysis

10.1 The Basic Conception and Index System of Urban Competitiveness

10.1.1 *The Basic Conception of Urban Competitiveness*

Domestic and overseas scholars defined urban competitiveness from different angles.

Douglas Webster thought that urban competitiveness is an ability that a city can produce and sale better products than other cities. The main purpose of improvement of urban competitiveness is to improve the living standard of the city residents. There are four factors to evaluate competitiveness. They are economic structure, regional endowment, human resources and system environment.

Porter thought urban competitiveness is the ability that a city can create wealth and increase income. The study of urban competitiveness is focused on the competitive factors or deciding factor, and there are 6 factors: production factors status, demand conditions, relevant and auxiliary industry status and the management of the enterprise strategy, structure and competition way, the opportunities and the government behavior.

Ni Pengfei, the professor of the Chinese Academy of Social Sciences Finance & Trade Economics Research Institute, said that urban competitiveness refers to the ability that a city can attract, strive for, own, control and transform the resources and strive for, occupy and control the market in order to create value and provide welfare for residents in competition and development process compared with other cities.

10.1.2 *Research of Urban Competitive Index System*

The measurement of the urban competitive of is very complex. So far, there is no international and widely accepted method to measure urban competitiveness and its index system.

Lausanne, Switzerland, the international college of management research established urban competitiveness evaluation index system including eight elements module, 25 elements point and 107 indicators.

Beijing International City Development Research Institute (IUD) has the research findings of “the Chinese urban competitive power evaluation system” and “urban competitive solution to the research achievements” in this area. With the “IUD global competitiveness theory” as the guiding, Beijing International City Development Research Institute puts forward “urban value chain model”. There are five aspects in the city competitiveness evaluation system: the city strength system, urban ability system, urban energy system ability, urban potential system and the urban charm system.

Shanghai Academy of Urban Comprehensive Competitiveness Comparative Research Center, which wrote the comparative research report of Chinese ten most representative competitive cities, made 14 level II indexes and 79 level III index from 3 level I indexes of the total amount, quality, flow. Through quantitative analysis of the 10 center cities on the degree of the concentration and diffusion in their economic development, the comprehensive strength of each city is reflected.

Ni Pengfei first introduced the bowstring model of urban competitiveness, that is China’s urban competitive (arrow) = F (hard competitiveness, soft competitive); Hard competitive (bow) = talents competitiveness + capital competitiveness + science + technology competitiveness + structure competitiveness + location competitiveness + facilities competitiveness + cohesion; Soft competitive (string) = order competitiveness + system competitiveness + culture competitiveness + management competitiveness + open competitiveness, in monograph urban competitive theory research and empirical analysis published in 2001. In this book, he also designed urban competitiveness revealed indexes system and explanatory index system and made urban competence into hard and soft. So the urban competitiveness index would be divided into two sets of city competitiveness index, a total of 88 items, including 4 revealed indexes, and 84 explanatory index items.

10.2 Analysis of the Status of Urban Competitiveness

10.2.1 Analysis of Competitiveness

10.2.1.1 Comprehensive Competitiveness

Urban comprehensive competitiveness is a comprehensive concept, which is the dominant said of urban competitiveness, refers to an ability which overall represents that big cities lead in the whole country, the pattern does not change that southeast higher and northwest lower, Around Bohai Area and northeast cities improve quickly, and the competitiveness of the southeast area is declining.

- (1) Cities with large scale, big population and high-level administrative rank has strong long-term competitive advantage.

Overall compared years of city competitiveness development reports, combined with Tables 10.1 and 10.2, from which, we can see that big cities have more apparent advanced comprehensiveness because of its perfect infrastructure, the high-level development of science and technology, and advanced education. Since long-term, the cities came into top 10 in the comparison of urban comprehensive competitiveness of nearly 200 cities are large and super cities such as Beijing, Shanghai and Shenzhen every year without exception.

- (2) The centers of the economic region have comprehensive urban competitiveness.

The role of the central city can be summarized as several “center”, such as commodity circulation center, transportation center, financial services center, information exchange center, science and cultural center and so on. Central cities through these “centers” make the leading role of regional development. From Table 10.2, the cities of which comprehensive competitiveness in the top 10 are mostly the centers of the economic circle cities. For example, Hong Kong, Guangzhou and Shenzhen are the central cities of the Pearl River delta economic circle, Shanghai, Suzhou and Hangzhou are the centers of Yangtze River delta economic circle cities, and Beijing and Tianjin are the centers of the Bohai economic circle cities. The radiation of these urban economic cities is strong, while these cities can get the support of surrounding small and medium-sized cities and have the superior development condition.

- (3) Coastal cities in the north are increasing and the ones in the south are decreasing, and the advantage of those in the southeast is declining slightly.

Specifically, the top ten competitive cities in 2015 are Shanghai, Hong Kong, Shenzhen, Beijing, Guangzhou, Tianjin, Suzhou, Chongqing, Hangzhou and Wuhan. Last year five regions shared the top 10, and this year five regions shared the top 10 as well.

- (4) The gap between cities have tended to be narrow.

Gini coefficient is used to show the status of wealth distribution of a country and region. The index is between zero and one. The lower the number is the more uniform the wealth distribution is of the members of society, and vice versa. From the Table of the competitiveness of the Gini coefficient below, the overall situation felling from 0.145 to 0.133 illustrates that the overall trend is narrowing, but there are differences among every parts. The annul difference of the central region and the area around the Bohai is decreasing (Table 10.3).

- (1) The eastern region occupies the top ten in the long term, among which the southeast area is the strongest, center area second, and then Link Bohai, the Northeast, the Northwest and the Southwest (Fig. 10.1).
- (2) In terms of comprehensive competitiveness of urban agglomeration, the disparity between the urban agglomerations is obvious, and three big urban agglomerations are very strong (Table 10.4).

Table 10.1 The top 10 comparison of China urban comprehensive competitiveness, 2003–2015

Rank	2004		2005		2006		2007		2008		2009	
	City	Area										
1	Shanghai	Yangtze Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta
2	Shenzhen	Pearl River Delta	Taipei	Taiwan	Shenzhen	Pearl River Delta						
3	Guangzhou	Pearl River Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta
4	Beijing	Link Bohai										
5	Hangzhou	Yangtze Delta	Shenzhen	Pearl River Delta	Guangzhou	Pearl River Delta	Taipei	Taiwan	Taipei	Taiwan	Taipei	Taiwan
6	Ningbo	Yangtze Delta	Guangzhou	Pearl River Delta	Taipei	Taiwan	Guangzhou	Pearl River Delta	Guangzhou	Pearl River Delta	Guangzhou	Pearl River Delta
7	Suzhou	Yangtze Delta	Gaoxiong	Taiwan	Wuxi	Yangtze Delta	Gaoxiong	Taiwan	Qingdao	Link Bohai	Tianjin	Link Bohai
8	Wuxi	Yangtze Delta	Macao	Pearl River Delta	Suzhou	Yangtze Delta	Suzhou	Yangtze Delta	Tianjin	Link Bohai	Gaoxiong	Taiwan

(continued)

Table 10.1 (continued)

Rank	2004		2005		2006		2007		2008		2009	
	City	Area										
9	Xiamen	Pearl River Delta	Hsinchu	Taiwan	Foshan	Pearl River Delta	Hangzhou	Yangtze Delta	Suzhou	Yangtze Delta	Dalian	Northeast
10	Tianjin	Link Bohai	Jilong	Taiwan	Macao	Pearl River Delta	Tianjin	Link Bohai	Gaoxiong	Taiwan	Qingdao	Link Bohai
Rank	2010		2011		2012		2013		2014		2015	
1	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta
2	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta	Shanghai	Yangtze Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta	Hong Kong	Pearl River Delta
3	Beijing	Link Bohai	Shenzhen	Pearl River Delta								
4	Shenzhen	Pearl River Delta	Shenzhen	Pearl River Delta	Guangzhou	Pearl River Delta	Shenzhen	Pearl River Delta	Shenzhen	Pearl River Delta	Beijing	Link Bohai
5	Guangzhou	Pearl River Delta	Guangzhou	Pearl River Delta	Shenzhen	Pearl River Delta	Guangzhou	Pearl River Delta	Guangzhou	Pearl River Delta	Guangzhou	Pearl River Delta
6	Taipei	Taiwan	Suzhou	Yangtze Delta	Tianjin	Link Bohai						

(continued)

Table 10.1 (continued)

Rank	2010		2011		2012		2013		2014		2015	
	City	Area	City	Area	City	Area	City	Area	City	Area	City	Area
7	Suzhou	Yangtze Delta	Tianjin	Link Bohai	Suzhou	Yangtze Delta	Hangzhou	Yangtze Delta	Suzhou	Yangtze Delta	Suzhou	Yangtze Delta
8	Tianjin	Link Bohai	Hangzhou	Yangtze Delta	Hangzhou	Yangtze Delta	Suzhou	Yangtze Delta	Hangzhou	Yangtze Delta	Chongqing	In the center zone of Yangtze River
9	Hangzhou	Yangtze Delta	Taipei	Taiwan	Taipei	Taiwan	Taipei	Taiwan	Chongqing	In the center zone of Yangtze River	Hangzhou	Yangtze Delta
10	Nanjing	Yangtze Delta	Chongqing	In the center zone of Yangtze River	Chongqing	In the center zone of Yangtze River	Chongqing	In the center zone of Yangtze River	Nanjing	Yangtze Delta	Wuhan	In the center zone of Yangtze River

Data Source 2004–2015 China's Urban Competitiveness Reports

Table 10.2 The competitiveness index of top 10 cities and the ranking change in ten years, 2015

City	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hong Kong	1	1	1	1	1	3	1	2	2	2
Shenzhen	3	2	2	2	2	4	2	4	4	3
Shanghai	2	3	3	3	3	2	3	1	1	1
Beijing	4	4	4	4	4	1	6	3	3	4
Taipei	6	5	5	5	5	6	4	9	13	13
Guangzhou	7	7	6	6	6	5	5	5	5	5
Tianjin	12	10	9	7	7	19	9	6	6	6
Gaoxiang	5	6	7	8	8	51	38	–	–	–
Dalian	18	12	12	9	9	8	17	16	15	16
Qingdao	14	8	8	10	10	10	15	18	18	15

Data Source 2006–2015 China's Urban Competitiveness Reports

Table 10.3 The comparison of competitive Gini coefficient, 2005–2012

Year	Link Bohai	Center	Northwest	North-east	South-east	South-west	Taiwan	Over-all
2014	0.101	0.099	0.120	0.118	0.125	0.158	–	0.140
2009	0.095	0.092	0.155	0.119	0.116	0.112	0.065	0.133
2008	0.098	0.096	0.152	0.121	0.12	0.118	0.067	0.137
2007	0.096	0.097	0.154	0.12	0.121	0.117	0.06	0.138
2006	0.096	0.102	0.154	0.123	0.122	0.118	0.041	0.141
2005	0.103	0.108	0.143	0.129	0.127	0.124	0.032	0.145

Data Source 2014 China's Urban Competitiveness Reports

Fig. 10.1 The ratio of urban comprehensive competitiveness of each area, 2014. Data Source China's urban competitiveness reports, 2014

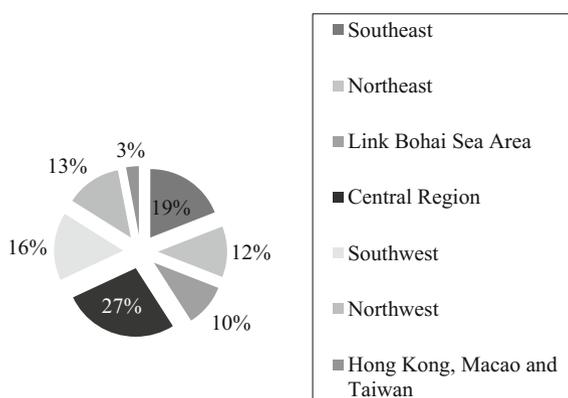


Table 10.4 The specific distribution of Chinese urban comprehensive competitiveness, 2009

Region	1-50	51-100	101-150	151-200	201-250	251-294	Totally	Comprehensive competitiveness index	Rank	Competitive Gini coefficient	Rank
Southeast	4	3	8	7	9	3	34	0.443	4	0.125	6
Northeast	9	12	4	4	1	0	30	0.519	3	0.101	3
Link Bohai area	4	4	4	4	8	15	39	0.387	7	0.158	7
Central region	5	7	16	20	21	12	81	0.414	5	0.099	2
Southwest	2	7	5	10	9	14	47	0.396	6	0.12	5
Northwest	18	17	13	5	2	0	55	0.542	2	0.118	4
Hong Kong, Macao and Taiwan	8	0	0	13	0	0	8	0.732	1	0.088	1
Nationwide	-	-	-	-	-	-	294	0.450	-	0.140	-

Data Source 2009 China's Urban Competitiveness Reports

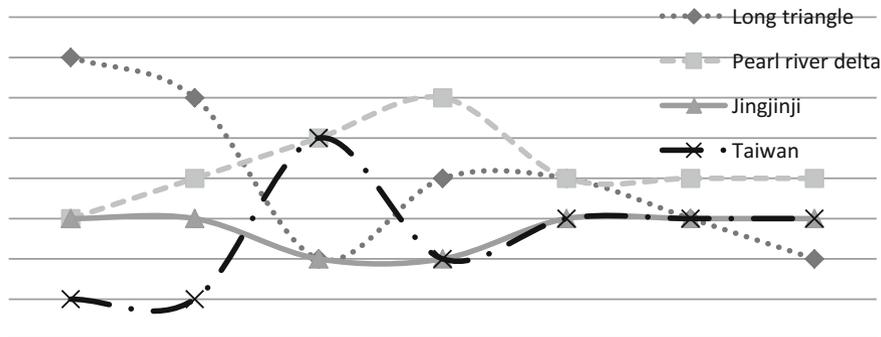


Fig. 10.2 The comparison of comprehensive competitiveness of China’s urban agglomeration. *Data Source* 2003–2014 China’s urban competitiveness reports

The comprehensive competitiveness of the Yangtze River Delta ranked first, in which innate competitiveness rankings for the first, the current competitive power the second and growing competitiveness the first. However, in the Fig. 10.2 we can find in nearly five years the number of cities in the Yangtze River delta in the top 10 ranked by urban competitiveness is decreasing. In the Pearl River delta takes an important position in national economy, which still absorbs nearly 1/6 of the foreign capital of the country even if Hong Kong and Macao are not counted.

10.2.1.2 Breakdown Competitiveness

According to the explanatory framework of urban competitiveness, we analyzes the 51 major cities’ hard and soft competitiveness system, and then forms the 12 competitiveness indicators. We can see the rank of year 2012 in Table 10.5 shows.

10.2.2 Analysis of Explanatory Competitiveness

According to the interpretation framework of the urban competitiveness, explanatory competitiveness analysis in detail the ontology and internal environment system of 56 important cities, forming a competitive eight sectors competitiveness report. In 2009 eight sectors competitiveness ranking is shown in Table 10.6.

Table 10.5 Top 10 of sectors ranked by competitiveness, 2012

Competitiveness	1	2	3	4	5	6	7	8	9	10
Talent competitiveness	Hong Kong	Beijing	Shanghai	Guangzhou	Shenzhen	Macau	Hangzhou	Nanjing	Chongqing	Tianjin
Capital competitiveness	Hong Kong	Shanghai	Beijing	Shenzhen	Guangzhou	Qingdao	Hangzhou	Tianjin	Macau	Nanjing
Science and technology competitiveness	Beijing	Shanghai	Shenzhen	Hong Kong	Tianjin	Changsha	Wuhan	Guangzhou	Chengdu	Chongqing
Structural competitiveness	Hong Kong	Shenzhen	Shanghai	Guangzhou	Hangzhou	Beijing	Nanjing	Foshan	Macau	Taizhou
Infrastructure competitiveness	Shanghai	Hong Kong	Beijing	Guangzhou	Shenzhen	Qingdao	Tianjin	Macau	Dalian	Xiamen
Comprehensive regional competitiveness	Hong Kong	Shanghai	Beijing	Guangzhou	Tianjin	Chongqing	Hangzhou	Changchun	Macau	Shenyang
Environmental competitiveness	Suzhou	Weihai	Hong Kong	Hangzhou	Dongguan	Xiamen	Yangzhou	Wuxi	Dalian	Shaoxing
Cultural competitiveness	Wenzhou	Shenzhen	Qingdao	Taizhou	Shaoxing	Dongguan	Huizhou	Hong Kong	Yangzhou	Changsha
Institutional competitiveness	Hong Kong	Zhongshan	Foshan	Suzhou	Wuxi	Dongguan	Yangzhou	Changzhou	Zhuhai	Macau
Government management competitiveness	Hong Kong	Shanghai	Beijing	Macau	Suzhou	Qingdao	Wuxi	Changzhou	Shenzhen	Yangzhou
Enterprise management competitiveness	Foshan	Zhongshan	Hong Kong	Yangzhou	Wuxi	Tangshan	Shanghai	Hefei	Chengdu	Suzhou
Open competitiveness	Hong Kong	Shenzhen	Suzhou	Dongguan	Zhuhai	Qingdao	Xiamen	Shanghai	Beijing	Dalian

Table 10.6 Top 10 of sectors ranked by competitiveness, 2014

Rank	1	2	3	4	5	6	7	8	9	10
Talent ontology competitiveness	Hong Kong	Shanghai	Beijing	Shenzhen	Macau	Hangzhou	Wuxi	Wuhan	Nanjing	Dalian
Enterprise ontology competitiveness	Foshan	Shanghai	Shenzhen	Hong Kong	Dongguan	Ningbo	Hangzhou	Nanjing	Suzhou	Zhongshan
The main industrial ontology competitiveness	Shanghai	Hong Kong	Hangzhou	Beijing	Chongqing	Macau	Shenzhen	Guangzhou	Xiamen	Suzhou
Public sector competitiveness	Beijing	Hong Kong	Shanghai	Shenzhen	Weihai	Macau	Qingdao	Nantong	Ningbo	Hangzhou
Life environmental competitiveness	Hong Kong	Shenzhen	Beijing	Shanghai	Guangzhou	Dongguan	Macau	Xiamen	Hangzhou	Haerbin
Business environmental competitive	Hong Kong	Shanghai	Shenzhen	Dongguan	Tianjin	Macau	Zhuhai	Weihai	Ningbo	Guangzhou
Innovative environmental competitiveness	Shanghai	Hong Kong	Beijing	Macau	Shenzhen	Foshan	Qingdao	Hangzhou	Xiamen	Guangzhou
Social environmental competitiveness	Hong Kong	Shenyang	Shanghai	Zhuhai	Weihai	Zhongshan	Macau	Xiamen	Dalian	Qingdao

Part II
Chinese Investment Abroad

Chapter 11

The History of Chinese Direct Foreign Investment

11.1 The Beginning Stage (1979–1991)

In November 1979, The Friendship Commercial Services Corporation of Beijing jointed with WanYi Itochu Corporation and established JingHe company in Tokyo limited by the shares. The main business scope of the enterprise was introducing technologies and equipment for the Beijing food industrial. It was the first overseas joint venture after China adopted a policy of reform to open up the economy.

At the end of 1983 China opened 76 non-tradable joint venture enterprise distributed in 23 countries and regions overseas, along with them Hong Kong of China and Macao of China most, followed by the United States, Japan, in addition to the federal republic of Germany, France, Britain, Canada, Switzerland, Australia and other developed countries (Fig. 11.1; Table 11.1).

Since 1984, the government gradually reduced some restrictions so that those non-state-owned enterprises can do more foreign direct investment activities. By the end of 1986 China had approved 92 industrial and agricultural production and many began to make profit enterprise overseas. 54 of them have been formally put into productions; many companies began to make profit (Fig. 11.2).

11.2 The Developing Stage (1992–2001)

After 1992, the central government began to encourage enterprises to implement the strategy of export-oriented, overseas investment. From 1991 to 1993, 857 new non-trade-able overseas enterprises were approved during the three years, more than the sum total of 12 years from 1979 to 1990, 286 new foreign enterprises add every year, China's foreign investment a total of \$650 million during this period.

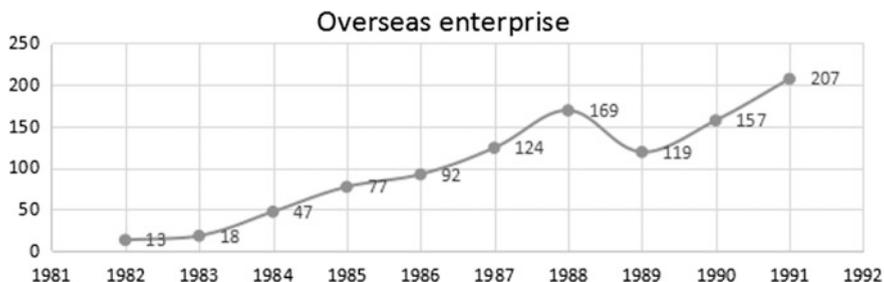


Fig. 11.1 Overseas enterprise change from 1981 to 1991

Table 11.1 Chinese overseas investment flew and stock from 1982 to 1991 (Unit: Hundred billion dollars)

Year	Investment flows	Flow rate	Investment stock	Stock rate	Overseas enterprise	Investment volume
1982	0.44	—	0.44	—	13	0.0318
1983	0.93	1.1136	1.37	2.1136	18	0.087
1984	1.34	0.4409	2.71	0.9781	47	0.809
1985	6.29	3.694	9	2.321	77	0.505
1986	4.5	-0.2846	13.5	0.5	92	0.776
1987	6.45	0.4333	19.95	0.4778	124	3.5
1988	8.5	0.3178	28.45	0.4261	169	1.53
1989	7.8	-0.0824	36.25	0.2742	119	2.3
1990	8.3	0.0641	44.55	0.229	157	0.747
1991	9.13	0.1	53.68	0.2049	207	3.67

Data Source Ministry of Commerce, National Bureau of Statistics “2002 China Foreign Direct Investment Statistic Bulletin”, “1979–1991 Chinese enterprises foreign economic and Trade Yearbook”



Fig. 11.2 The Chinese foreign investment change from 1981 to 1991

The quantity and investment scale of China's foreign investment enterprises maintained a higher growth rate, by the end of 1996, 5045 overseas enterprises approved by the ministry of foreign trade or registration, China investment reach \$5.72 billion.

At the end of 2001, amounted to 6610 overseas Chinese enterprises approved by the ministry of foreign trade or registration, the overseas Chinese enterprises accumulative to a total investment of \$13.23 billion, excluding the financial aspects of Chinese accumulative total investment of \$8.357 billion (Fig. 11.3; Table 11.2).

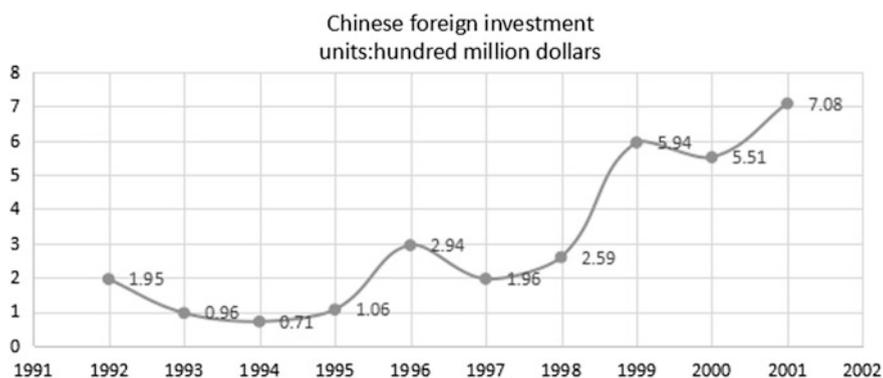


Fig. 11.3 Chinese foreign investment

Table 11.2 Chinese foreign investment from 1992 to 2001

Year	Investment flows	Flow rate	Investment stock	Stock rate	Investment volume
1992	40	3.3812	93.68	0.7452	1.95
1993	44	0.1	137.68	0.4697	0.96
1994	20	-0.5455	157.68	0.1453	0.71
1995	20	0	177.68	0.1268	1.06
1996	21.14	0.057	198.82	0.119	2.94
1997	25.62	0.2119	224.44	0.1289	1.96
1998	26.34	0.02811	250.78	0.1174	2.59
1999	17.74	-0.3265	268.53	0.0708	5.94
2000	9.16	-0.4837	277.68	0.0341	5.51
2001	68.85	6.5164	346.5	0.248	7.08

Source Ministry of Commerce, National Bureau of Statistics "2002 China Foreign Direct Investment Statistic Bulletin" "1992–2001 Chinese enterprises foreign economic and Trade Yearbook"

11.3 The Fast Development Stage (2002 Until Now)

The quantity of China's foreign direct investment presents periodic change; there are large gaps between the numbers of different stages of development of foreign investment, affected by the Asian financial crisis. At the end of the 20th century Chinese foreign direct investment flowed down, dropped to \$916 million in 2000. In 2003, China's total investment reached \$2.85 billion, investment scale grew rapidly (Table 11.3).

In 2004, in order to promote the progress of foreign investment facilitation, on the basis of the pilot reform of administrative examination in 200, the ministry of commerce according to the "administrative licensing law" and "decision on reform of the investment system of the state council issued" issued "the regulation of starting a business in the overseas investment approval matters", and with the office of the state council jointly issued "the regulation of starting a business approval matters on the mainland enterprises to Hong Kong and Macao investment".

Meanwhile, national foreign investment industrial guidance catalog carried out the textile processing trade investments in Latin America according to country directional catalog. Investment in Asia carried out the textile and garment processing trade class according to national guidance catalog, guiding enterprise to carry out foreign investment activities actively, creating a good service environment for the enterprise's foreign investment.

In 2006, China's non-financial outward direct investment was \$211.6 billion. In 2008 China's foreign direct investment was more than \$500 billion, for the first time reach to \$688.1 in 2001. With the aid of the appreciation of the RMB, Europe

Table 11.3 Chinese overseas investment flow and investment stock between 2003 and 2014

Year	Investment flow	Flew rate	Investment stock	Stock rate
2002	27.0	-0.6343	299.0	-0.1372
2003	28.5	0.0556	332.0	0.1104
2004	55.0	0.9298	448.0	0.3494
2005	122.6	1.2291	572.0	0.2768
2006	211.6	0.7259	906.3	0.5844
2007	265.1	0.2528	1179.1	0.3010
2008	559.1	1.109	1839.7	0.5603
2009	565.3	0.0111	2457.6	0.3359
2010	688.1	0.2172	3172.1	0.2907
2011	746.5	0.0849	4247.8	0.3391
2012	878.0	0.1762	5319.4	0.2523
2013	1078.4	0.228	6604.8	0.2416
2014	1231.2	0.1417	8826.4	0.3364

Data Source Ministry of Commerce, National Bureau of Statistics "2014 China Foreign Direct Investment Statistic Bulletin"

and the United States wants to attract foreign investment after the financial crisis and other favorable conditions, China's investment in mergers and acquisitions of foreign enterprises constantly accelerate in 2013, China has become the world's third largest foreign investor, the investment of the developed economies accounted was continually increasing.

According to the ministry of commerce statistics, in 2013, China's domestic investor's direct investment in 5090 foreign companies from 156 countries and regions all over the world, the cumulative implementation of non-financial direct investment was \$90.17 billion, raised 16.8% compared to the former year.

From industry structure, investment category is completed and focused; 90% of the investment flow into business services, mining, wholesale and retail trade, manufacturing, construction and transportation industry. \$29.45 billion investment flow into the business services industry, accounting for 32.7% of the total amount of investment; Investment in the mining industry was \$20.16 billion, accounting for 22.4%; Wholesale and retail was \$13.67 billion, accounting for 15.2%; Manufacturing was \$8.68 billion, accounting for 9.6%; Construction was \$6.53 billion, accounting for 7.2%; Transportation industry was \$2.5 billion, accounting for 2.8%. In addition, the construction industry, culture, sports and entertainment industry was the fastest growth in investment, year-on-year growth was 129.1 and 102.2% respectively, mining, manufacturing, wholesale and retail, real estate industry and so on were also achieve faster growth.

From Table 11.4 we can see that, Asia and Latin America has been the focus of Chinese foreign investment, Africa is lagging behind the investment environment and the turbulent political situation has seriously restricted the number of China increased investment in Africa. In recent years, Chinese investment in Oceania, Europe and North America has increased rapidly, mainly due to the rapid growth of economic recovery and the reasonable adjustment of the layout of Chinese foreign investment.

From the regional perspective, Chinese foreign direct investment is concentrated in the developing countries and regions, the regional selection is too concentrated, and the reason is that Chinese economic development is similar to Chinese economic development, enterprises and people's consumption level, living habits, traditional culture and so on. But this is too centralized location choice that it can't adapt to the pace of global economic integration.

In conclusion, Chinese foreign investment in the industrial structure, enterprise strength, international competitiveness of the developed countries, and the market's demand for the development has a huge gap. On the other hand, the developed countries' strict regulations on investment give an obstacle in the investment of Chinese enterprises. In the long run, Asia as a key region of China's investment position will not change, Africa, Latin America, Oceania, Europe, North America, there is a lot of progress to rise.

From Table 11.5 we can see that, the distribution of Chinese foreign direct investment in the industry, Chinese foreign direct investment presents two major characteristics: first, the development of foreign investment is diversified in industries. Chinese foreign investment in 2003 involved 8 industries and the

Table 11.4 China's foreign direct investment flow (2003–2013) (Unit: million)

Country/region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Asia											
Total	150,503	301,399	448,417	766,325	1,659,315	4,354,750	4,040,759	4,489,046	4,549,445	4,549,445	7,560,426
Hong Kong of China	114,898	262,839	341,970	693,096	1,373,235	3,864,030	3,560,057	3,850,521	3,565,484	3,565,484	6,282,378
Japan	737	1530	1717	3949	3903	5862	8410	33,799	14,942	14,942	43,405
Singapore	-321	4798	2033	13,215	39,773	155,095	141,425	111,850	326,896	326,896	203,267
Africa	7481	31,743	39,168	51,986	157,431	549,055	143,887	211,199	317,314	251,666	337,064
Europe	14,503	15,721	39,549	59,771	154,043	87,579	335,272	676,019	825,108	703,509	594,853
Latin America	103,815	176,272	646,616	846,874	490,241	367,725	732,790	1,053,827	1,193,582	616,974	1,435,895
North America	5775	12,649	32,084	25,805	112,571	36,421	152,193	262,144	248,132	488,200	490,101
Oceania	3388	12,015	20,283	12,636	77,008	195,187	247,998	188,896	331,823	241,510	366,032

Data Source Ministry of Commerce, National Bureau of Statistics “2014 China Foreign Direct Investment Statistics Bulletin”

Table 11.5 Chinese foreign direct investment flow industry distribution changes (2003–2013) (Unit: million)

Industry	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Industry	8565	28,866	10,536	18,504	27,171	17,183	34,279	53,398	79,775	146,138	181,313
Agriculture, Forestry, Animal Husbandry and Fishery											
The Secondary Industry	138,000	180,021	167,522	853,951	406,277	582,351	1,334,309	571,486	1,444,595	1,354,380	2,480,779
Mining											
Manufacturing	62,000	75,555	228,040	90,661	212,650	176,603	224,097	466,417	704,118	866,741	719,715
Subtotal	200,000	255,576	395,562	944,612	758,954	618,927	1,592,685	1,091,301	2,228,488	2,367,259	3,381,807
The Tertiary Industry	28,000	74,931	494,159	452,166	560,734	2,171,723	2,047,378	3,028,070	2,559,726	2,674,080	2,705,617
Wholesale and Retail Trades											
Wholesale and Retail Trades	36,000	79,969	226,012	111,391	660,418	651,413	613,575	672,878	1,032,412	1,304,854	1,464,682
Transport, Storage and Post											
Transport, Storage and Post	8565	82,866	57,679	137,639	406,548	265,574	206,752	565,545	256,392	298,814	330,723
Construction and Real Estate											
Construction and Real Estate	2855	5646	19,749	41,699	32,943	73,299	36,022	162,826	164,817	324,536	436,430
Financial Inter-Mediation											
Financial Inter-Mediation	–	–	–	352,999	166,780	1,404,800	93,814	161,308	197,000	201,813	395,251
Services to Households and Other Services											
Services to Households and Other Services	2855	21,945	22,420	57,386	7621	16,536	873,374	862,739	607,050	1,007,084	1,510,532
Subtotal	76,935	265,357	820,019	1,153,280	213,870	2,004,511	26,773	32,105	32,863	89,040	112,918

Data Source: Ministry of Commerce, National Bureau of Statistics “2014 China Foreign Direct Investment Statistics Bulletin”

investment are relatively concentrated, the mining industry accounted for 48.4%, manufacturing accounted for 21.8%, the wholesale and retail trade accounted for 12.6%, other industries are less than 10%. At the end of 2009, China's foreign direct investment involves 15 industries, including mining, manufacturing, retail, the proportion of business services, business services, the proportion of the financial sector has increased, and the industry's investment trends balanced development. Second, Chinese foreign direct investment industry structure optimized. Chinese first industry investment in 2008 accounted for only 0.3%. The secondary industry changes in the proportion of the industry, from 70.2% in 2003 fell to 13.6% in 2008, which is no longer the leading industry of foreign direct investment. China has rapid increased in investment in the third industry, from 26.8% in 2003 rose to 86.1% in 2008. We can see from the investment structure of China gradually added value, high technology content, emerging industry; the structure of the foreign direct investment sector has been optimized. From the stock of Chinese foreign direct investment, by 2008, Chinese foreign direct investment in the first place, the secondary or tertiary industry, the relative balance of various industrial investments. From the sector structure, the tertiary industry accounted for 3/4 of the total number of foreign investment in China, the second industry accounted for 1/5. The proportion of foreign investment in the first, second, and third industry is relatively stable; the tertiary industry has become the advantage of China's foreign investment in the industry and the main part of the international competition.

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Chapter 12

Policy of Overseas Investment

12.1 The Early Stage of Exploring (1984–1990)

The Chinese government has launched a series of policies and measures to support foreign projects contracting and foreign investments, even set up a *Foreign Economic Cooperation Fund* to support enterprises to explore the international markets.

In July 1985, Ministry of Foreign Trade and Economic cooperation issued the policy of the procedures for examination and approval of setting up overseas subsidiaries, and established the basic principles of ODI regulations. Set up policies for opening the financial resources, overseas cooperation and related content of ODI for all economic entities.

This stage was still in the breeding stage of policies and regulations. The regulatory policy's characteristic was to define what is capable, and what should strictly limit. The purpose of Chinese government's ODI also included accumulates foreign exchange, in the foreign exchange restrictions were more on it.

In March 1989, the government issued measures of *ODI foreign exchange management*, mainly contained three aspects in the following: First, The SAFE was evaluated the sources of funds and exchange rate risk of ODI. Second, 5% of total investment required to be deposited in a special account. Third, profits must be returned to China. This provision caused the scale of foreign investment of Chinese enterprises has always been stayed at a low level (Table 12.1).

12.2 The Stage of Rapid Development (1991–1998)

During this period, Chinese government implemented the policy of foreign direct investment actively and carefully, also worries that Reform and allows multinational operations will result in the loss of state assets. In addition to every foreign

Table 12.1 Policies of Chinese transnational mergers in the early stage of exploring

Year	Department	Policies	Effect
1984.5	Foreign Economic and Trade Department	The notice of the approval procedure rights and principles for the establishment of a non-trading joint venture business enterprise	First policy
1985.7	Foreign Economic and Trade Department	The provisions on the examination and approval procedures and administrative procedures for the establishment of non-trading enterprises overseas	Determination principle
1989.3	The State Administration of Foreign Exchange	The measures of foreign direct foreign exchange management	Profits to return to China make foreign currency to stay at a low level

Table 12.2 Policies of Chinese transnational mergers in the developing stage

Year	Department	Policies	Effect
1991.3	State Planning Commission	Opinions on strengthening the management of overseas investment projects	Core policy in 90s: clear the approval limits
1992.3	Foreign Economic and Trade Department	Measures for examination and approval of the establishment of non-trade overseas enterprises	Summarizes the various regulatory rules
1993.9	The State Administration of Foreign Exchange	Approval specification risk of foreign investment foreign exchange and check the source of foreign exchange funds	Foreign exchange risk and investment risk; rules for foreign exchange administration

direct investment projects examine and monitoring, the approval procedure will become increasingly stringent (Table 12.2).

12.3 The Stage of Steady Growth (1999–2006)

Since 1999 the Party Central Committee put forward the implementation of *Going Out* strategy, Chinese enterprises had begun to start the universal foreign mergers and acquisitions, and they kept growing. Chinese Enterprises in Transnational Mergers had come into a new stage of development.

In 21st centuries, China's foreign investment gradually increased, the transnational Mergers' proportion tends to 50% or more, and it gradually becomes one of the main forms of foreign investment. Chinese government has launched a series of regulatory policies, functioning changes from the regulatory to guide. The Chinese

government also changed from a regime of direct intervention in business decision making and business output to an administrative agency which guide the market by a series of rules and regulations. This stage is a developing stage, the government tends to lower regulation, standardize management and provide service. Besides developing a series of rules and regulations on foreign exchange, it also implements the measures of follow-up of investment performance monitoring. For example, there is *Methods of Comprehensive Performance Evaluation of Overseas Investment (for Trial Implementation)* in 2002.

Since 1999, Rights and obligations of government and enterprises in the management of state owned assets were prescribed clearly for the first time. From 2000 to 2001, to join the WTO, our country revised *the Law of the People's Republic of China on Foreign-Capital Enterprises* and *Rules for the Implementation of the Law of Foreign Investment Enterprises*, Canceled the restriction of the wholly foreign-owned enterprises in establishing conditions, capital reduction, equipment investment, domestic sales and export ratio and so on.

In October 2002, the government comprehensively evaluated the foreign investment project performance; make clear of the procedures and standards for the assessment of foreign direct investment projects. Interim measures for the joint annual inspection of foreign direct investment, and evaluated the post evaluation of foreign direct investment projects.

In 2004, the State Council issued the *Decision on Reform of Investment System*, pointed out the main body position in the investment activities of enterprises, the right of enterprise investment decision should make by their own. The government will no longer implement the examination and approval system, instead, approval system and filing system according to the situations.

In February 2006, *Opinions on Encouraging and Supporting the Going Out of the Enterprises* were issued by Ministry of Commerce. It was the First regulation which clearly treats the private enterprises as the main object. It made a foundation for the further development of transnational merger and acquisition policy of private enterprises (Table 12.3).

12.4 The Stage of Fast Growth (Since 2007)

In 2007, the financial crisis broke out. Multinational companies in China were shocked heavily and the total amount of emerge dropped sharply from \$15.384 billion to \$4.529 billion. China's enterprises started to get out of the shadow of financial crisis after a series of adjustments, and the M&A gradually picked up to the total amount of \$9.363 billion of the cross-border M&A in 2008.

In this period, government published many policies to support private enterprises to go out, encouraged them to undertake transnational merger, and reduce acquisition risk. In December 2007, the government issued *Several Suggestions on Encouraging, Supporting and Guiding Foreign Investment and Cooperation of Non-public Enterprises*, and this regulation declared the private enterprises have the

Table 12.3 Policies of Chinese transnational mergers in the stage of steady growth

Year	Department	Policies	Effect
1999	People's Bank of China; Ministry of Foreign Economic Cooperation	Guidance of supporting of overseas processing trade credit	Encourage enterprises to export, provide loans: focus on light industry and manufacturing industry
2002	Foreign Economic and Trade Department	Methods of comprehensive performance evaluation of overseas investment (for trial implementation)	Clear the project assessment procedures and standards
2003	Department of Commerce	The ministry of commerce exit decentralization, actively promote overseas investment facilitation	Simplifying procedures
		Notice on establishing the information base of the foreign investment intention of the enterprise	Information collection
2004	The State Council	Decision on reform of investment system	The government will change approval to approval and filing system
	National Development and Reform Commission	Interim administrative measures for the approval of overseas investment projects	Enterprises who have intention of overseas mergers and acquisitions, should report to the development and reform commission
2005	Administration of Exchange Control	Notice on the reform of foreign investment management reform pilot	Expansion of some pilot area
2006	Department of Commerce	Opinions on encouraging and supporting private enterprises going out	The first policies and regulations of treating the private enterprises in cross-border mergers and acquisitions as the main object

same privilege as the state-owned enterprise on the fiscal taxation, which meant the non-public enterprises' foreign investment cooperation was included the state's unified regulatory system.

In April 2009, Ministry of Commerce published *the Measures for the Administration of Overseas Investment*. In August, The National Development and Reform Commission issued *Several Questions Related to Improving the Management of Overseas Investment Projects*, further standardizing the management of direct foreign investment.

In March 2010, Department of Commerce put forward *Directive Opinion on the Work of National Foreign Investment Cooperation*. In September, *Overseas Security and Risk's Early Warning of the Foreign Investment Cooperation and*

Information Reporting System was published, aimed at improving the risk prevention of transnational M&A. In 2010, Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange published notifications about *Statistical System of Direct Foreign Investment*. According to the decision of *Interim Measures on Management of Department Statistics Survey* (national bureau of statistics orders no. 4, 1999), based on the characteristics of foreign investment in China in the past two years, and the adjustment of the international standard of foreign direct investment. The direct foreign investment statistical system issued in December 2008 has been revised and supplemented.

In June 2012, the national development and reform commission joint with the ministry of foreign affairs, ministry of industry, ministry of finance, ministry of commerce, the central bank, the general administration of customs, and exchange office issued the *Implement Opinions on Encouraging and Guiding the Positive Overseas Investment of Private Enterprises*, the exchange office issued *Questions About How to Encourage and Guide Private Investment to Healthily Develop the Foreign Exchange Management*, in order to encourage private enterprises' overseas mergers and acquisitions. Private enterprises gradually developed into the subject of the overseas mergers and acquisitions.

On March 1, 2013, China Securities Regulatory Commission issued regulation about *Implementing Measures of Carrying Domestic Securities Investment's Experiment for Foreign Institutional Investors with Qualified RMB*, putting forward the specified qualification on the registration place, business certification for those applying for qualified investors.

On November 22, 2013, the decision on modifying *Reporting Methods of International Balance of Payments Statistics* was issued. (State council orders no. 642). On December 16, The notice *Management About the Adjustment of RMB Foreign Exchange Derivative Business* was released, simplifying management on foreign exchange swap and currency swap's access, increasing principal exchange forms of currency swap business, supporting banks to optimize option pricing and risk management.

On July 4, 2014, the national development and reform commission published *Management Methods on Approval and Filing of Overseas Investment Projects*. It regulated that China's overseas investment projects of \$1 billion or above must be approved by the national development and reform commission. Overseas investment project involving sensitive countries, regions and industries must be approved by the national development and reform commission. Among them, the national development and reform commission must put forward review opinions on the state council for approval as to the overseas investment projects which higher than \$2 billion China's investment, and involving sensitive countries, regions and industries. On November 15, the ministry of commerce issued the no. 3, 2014, publishing *the Administration Measures for Overseas Investments*.

On December 27, 2014, the national development and reform commission published decisions on modifying related terms of *Management Methods About the Overseas Investment Project Approval and Filing* and *Management Methods About the Foreign Investment Projects Approval and Filing*.

On February 13, 2015, the state administration of foreign exchange announced the notification on further simplifying and improving the policy of direct investment and foreign exchange management (Tables 12.4 and 12.5).

Table 12.4 Policies of Chinese transnational mergers in the stage of rapid expansion

Time	Department	Case	Effect
2007.12	Exchange Office	Several opinions about encouraging, supporting and guiding non-public enterprises' foreign investment cooperation	Further strengthen the supervision and protection of private enterprises' foreign investment cooperation
2009.4	Ministry of Commerce	The administration measures for overseas investment	Delegate approval authority
2009.8	The National Development and Reform Commission	Several questions related to improving the management of overseas investment project	Further standardize the management of direct foreign investment
2010.12	Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange	Statistical system of direct foreign investment	
2012.2	Ministry of Commerce	Management guide on the overseas Chinese enterprises and personnel safety	Strengthen the protection of personnel safety
2012.6	13 Departments Including the National Development and Reform Commission, Ministry of Foreign Affairs, Ministry of Industry, etc.	Implement opinions on encouraging and guiding the positive overseas investment of private enterprises	Encourage private enterprises to go overseas actively
2012.8	Ministry of Commerce	Management methods for foreign investment approval (draft)	The latest approved method
2013.3	China Securities Regulatory Commission	Regulation about implementing <i>Measures of Carrying Domestic Securities Investment' Experiment for Foreign Institutional Investors with Qualified RMB</i>	Put forward the concrete qualification on the registration place, business certification for those applying for qualified investors
2013.11	Exchange Office	Reporting methods about international balance of payments statistics	Simplify management on foreign exchange swap and currency swap's access, increasing principal exchange forms of currency swap business, supporting banks to perfect option pricing and risk management

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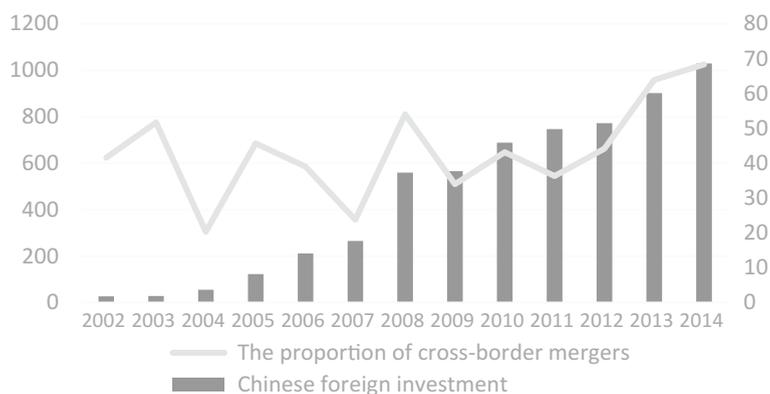
Table 12.4 (continued)

Time	Department	Case	Effect
2013.12	Exchange Office	About adjusting the business management of RMB foreign exchange derivatives	Simplify management on foreign exchange swap and currency swap business access, increasing principal exchange forms of currency swap business, supporting banks to perfect option pricing and risk management
2014.7	National Development and Reform Commission	Management methods on approval and filing of overseas investment projects	Overseas investment projects involving sensitive countries, regions and industries must be approved by the national development and reform commission regardless of quota
2014.11	Ministry of Commerce	Administration measures for overseas investments	The ministry of commerce and the provincial commerce departments manage filing and approval respectively in accordance with the different situations of overseas investment
2014.12	National Development and Reform Commission	Decisions on modifying related terms of <i>Management</i> methods about the overseas investment projects' approval and filing and management methods about the foreign investment projects' approval and filling	Paragraph 1 of article 7 is revised as <i>the Overseas Investment Projects Involving Sensitive Countries, Regions and Industries Must be Approved by the National Development and Reform Commission</i>
2015.2	State Administration of Foreign Exchange	The notice on further simplifying and improving the administrative policy of direct investment and foreign exchange	Further deepen the reform of the foreign exchange capital's management, promote and facilitate cross-border investment fund's operation, standardize direct investment's management
2015.3	China Insurance Regulatory Commission	The notice of adjusting related policies for overseas investment of insurance funds	Strengthen the regulation on overseas investment of insurance funds, further expand international configuration space of the insurance assets, optimize the configuration structure and guard against the risks of capital operation

Table 12.5 Chinese foreign investment and the proportion of cross-border mergers

Year	Chinese foreign investment (hundred million dollars)	The proportion of cross-border mergers (%)
2002	27	41.58
2003	28.5	51.69
2004	55	20.34
2005	122.6	45.67
2006	211.6	38.99
2007	265.1	23.76
2008	559.1	54.02
2009	565.3	33.95
2010	688.1	43.16
2011	746.5	36.3
2012	772.2	44.17
2013	901.7	63.9
2014	1028.9	68.3

Source Website statistics in Ministry of Commerce of the People's Republic of China

**Fig. 12.1** Chinese foreign investment and the proportion of cross-border mergers

On March 1, 2015, China Insurance Regulatory Commission issued *the Notice of Adjusting Related Policies for Overseas Investment of Insurance Funds* (Fig. 12.1).

Chinese transnational M&A and foreign investment grows rapidly in recent years, and the ratio of transnational M&A to all direct foreign investment trends greater. The amount of China's foreign investment in 2012 was 31 times more than the number of 2002, and the amount of cross-border M&A also increased by 37 times compared to 2002. In October 2015, foreign investment reached 95.21 billion dollars. We can see from the diagram that there was a peak in 2008. After the

financial crisis, in the case of the shortage of international capital chain, China began international expansion in the form of cross-border mergers and acquisitions, and the amount of cross-border mergers and acquisitions increased year by year.

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Chapter 13

Chinese Investment in North America

13.1 Investment and Development Trend of Chinese Companies in North America

In the past 10 years, China's direct investment in North America showed a rising trend. The investment area gradually expands and the investment industries increased diversely. Mergers and acquisitions in North America were more active than other regions.

China's direct investment trend in North America is shown in Fig. 13.1. Chinese direct investment in North America showed a rising trend, but there had been a significant decline in 2008. The global economic crisis caused the global economic downturn would be the main reason.

The United States and Canada are the two most important countries in North America. Chinese direct investment trends in the United States and Canada has been displayed in Figs. 13.2 and 13.3.

13.2 Chinese Enterprises' Investment Way in North America

13.2.1 *Chinese Enterprises' Investment Way in the United States*

According to the National Bureau of Statistics, setting up sales channels has become the main purpose which Chinese enterprises used to invest in the United States, and 58% of Chinese companies had invested in the United States choose this method. In addition, the establishment of joint-stock venture (16%), the establishment of new wholly-owned manufacturing companies (10%) is also used more by Chinese enterprises, but mergers and acquisitions of foreign assets (8%) and the establishment of non-equity partnerships (8%) are used relatively less (Fig. 13.4).

Fig. 13.1 Net direct investment in China over the years for North America (US \$Ten Thousand). *Data Source* National Bureau of Statistics

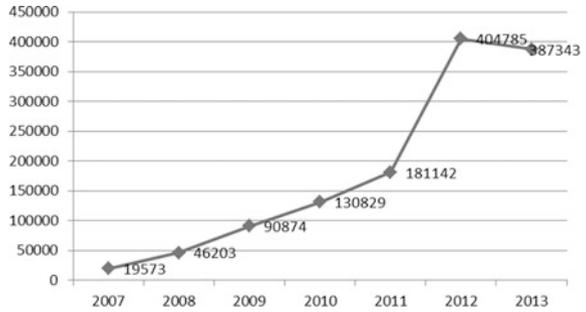


Fig. 13.2 Net direct investment in China over the years for American (US \$Ten Thousand). *Data Source* National Bureau of Statistics

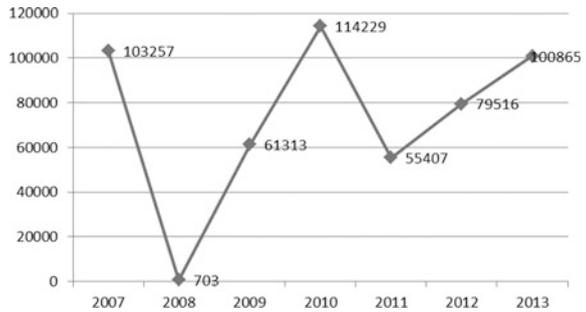
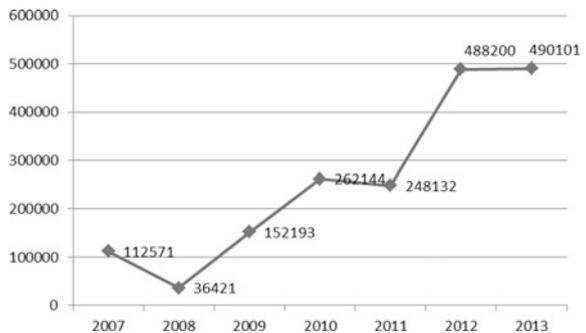


Fig. 13.3 Net direct investment in China over the years for Canada (US \$Ten Thousand). *Data Source* National Bureau of Statistics



13.2.2 Two Main Ways Used in Foreign Direct Investment

The first way is greenfield investment, also known as “create investment”, which means multinationals investors establish an enterprise with local businesses in the host country according to the laws of the host country, or foreign investors own the full ownership of the assets in all businesses. Foreign investors may choose to set up new wholly-owned or joint-venture companies.

The second way is transnational mergers and acquisitions, referred to as “M&A”, which means that foreign investors purchase all or part of the assets or

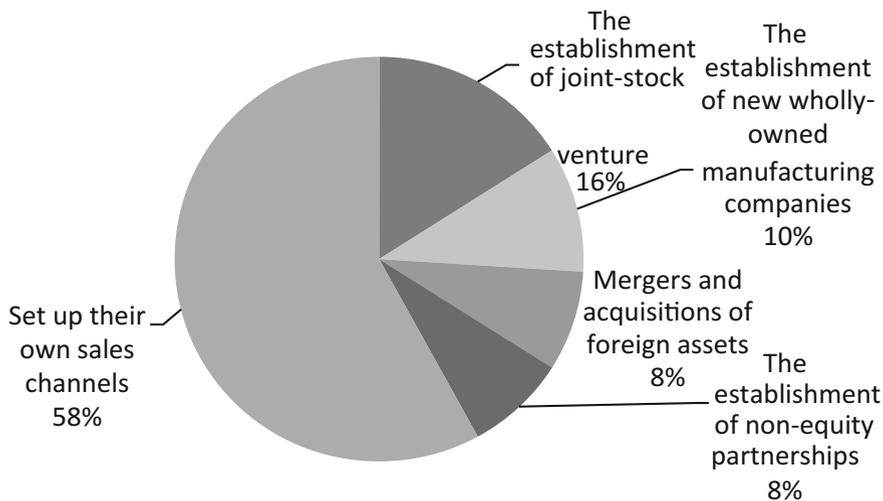


Fig. 13.4 China's foreign direct investment pattern to the United States. *Data Source* Commerce Department Investment Guide of US

shares of other companies in another country through certain channels and means of payment to achieve specific business goals, and thus investors can carry out actual or full control on the acquired business management.

US-China Relations Center reports that the number of Chinese Greenfield investment (new construction) in the United States and the acquisition roughly equal 109: 121 from 2003 to 2010. The acquisition which is about \$9 billion accounts for 77% of the total according to investment estimate. Acquisition amount is much higher than Greenfield investment which is affected by the acquisition of several ultra-high. Chinese companies generally use holdings acquisition (there are 100 holdings acquisition in 121 acquisitions), but there are many Chinese also choose partnership acquisitions with American companies.

Since 2010, the proportion of Greenfield investment in total investment made by China was higher than those made by other country in US before 2009. Most of these green investments were wholly owned by Chinese companies, and rarely owned by a joint venture established with US partner. Chinese investors had even done some Greenfield investments in complex industries, including communications equipment, renewable energy, biotechnology, aerospace and pharmaceutical industries. Although these industries were not the core of the high-tech cutting-edge industries, the potential for Chinese companies engaged in complex investment industry in the United States had been appeared. In other words, it was no longer an unthinkable and control challenge for Chinese executives to do business in the United States and hire Americans to do direct investment projects.

13.3 Industry Distribution and Key Projects Invested by Chinese Enterprises in North America

13.3.1 Industry Distribution of Investment Made by Chinese Enterprises in the US

The range of investment made by China in US is wide, involving industry, science and technology, energy, clothing, agriculture, catering, food processing, tourism, banking, insurance, transport, engineering contracting, real estate and other fields. The most favorite projects include information technology, consumer goods manufacturing, financial and business services. The top three investments are fossil energy and chemicals, industrial machinery manufacturing and information technology. Overall, information technology, industrial machinery, fossil energy and chemical industry, automobile manufacturing, consumer products are the most important industry which invest by China in the United States. For example, home appliances (Sony and Haier) and consumer electronics (Lenovo) are in downstream of the value chain. Department with highest investment are industrial machinery, equipment and tools (such as Tianjin Steel Plant and Shanghai Electric Power Company). These are general industrial products which have a long development history in China. The second largest sector is the electrical equipment and parts, and Lenovo's acquisition of IBM is a good case. This is also an example that China's basic equipment manufacturer are moving to downstream of the industrial chain. In fact, China's investment in 16 industries has exceeded \$100 million, and all industries investment is generally growing, from manufacturing, services to high-tech and common technologies.

Unlike earlier investment, the main growth points were in manufacturing consumer electronic products, machinery, auto parts, steel, processed foods areas etc. after 2008. This not only helped Chinese economy realize "rebalancing", transforming from dependence on exports of finished products into moving the production base overseas, but also reflected China's will of outputting the excess capacity to other countries which investment environment were favorable. Secondly, China's early investment in tertiary industry served the large-scale Sino-US trade in goods, such as wholesale services and trading finance. Modern service industry investment has turned to higher value-added activities, such as software development. This also conferred the trend of China's tertiary Industry strategy. Third, given that the US real estate prices decreased and China's domestic prices increased, Chinese companies had more interests in investing in real estate. Since this part of the investment return was relatively stable, a lot of companies' interests in investing China's infrastructure and public facilities were growing.

American Wing Ding Group recently released a report that in 2013 China invested about US \$14,000,000,000, increased of approximately twice than before. And it expected growth would remain strong in 2014. It reports that in 2013 Chinese investment in the US is mainly characterized by the following features:

First is the larger amount. The top six trading programs (Smithfield, Nickerson, Mississippi Lime, Chase Manhattan Plaza, General Motors Building, and Wolf camp Shale) take 80% of the total transaction amount;

Second, food, energy and real estate sector was the largest acquisition project. Smithfield's turnover is \$7.1 billion, including Nickerson, Mississippi limestone and shale Wolf Camp energy projects, including \$3.2 billion, \$1.8 billion of commercial real estate projects;

Third, private enterprises had dominated the Chinese investment in the US. The number of transactions in 2013 of the private enterprises accounted for 87 and 76% of the transaction amount, while in 2012 only 59% of the transaction amount;

Fourth, the Chinese companies in the growth of local economy had made a significant contribution. By the end of 2013, Chinese companies in the United States had created 70,000 full-time jobs. There were 37,000 jobs only in Smithfield.

13.3.2 Industry Distribution of Chinese Enterprises' Investment in Canada

Canada's absorption of investment in main areas in turn is manufacturing, mining, energy industry, and the financial services industry. As of 2010, Canada's absorption of foreign direct investment stock of Canadian assets was 561.616 billion Yuan, of which investment in manufacturing was 195,408,000,000 Yuan, and account for 34.8%. Investment in mining and energy industry was 92.205 billion Yuan, and account for 16.4%. Investment in financial insurance is 82.213 billion Yuan, and account for 14.6%.

According to China's economic development needs and long-term strategy, the keys of Chinese companies to invest in Canada include: First, energy development projects, such as oil sands development and utilization. Second, resource development projects include forestry resources (including timber, pulp, plywood, etc.). And mineral resources (including iron ore, copper, potash, nickel, etc.). Third, there was also including scientific and technological cooperation projects.

13.3.3 The Key Projects of Chinese Enterprises to Invest in North America

- I. China Petrochemical purchase 9.03% stake of ConocoPhillips in the Syncrude oil and sands project in Canada in 2010.
- II. China Sinopec purchase Daylight Energy with 2.2 billion Canadian dollars in October 2011.
- III. Zhang family acquired 49% equity of the New York Park Avenue Plaza with the price of nearly \$500 million in 2011.

- IV. In August 2011, Tianjin Steel Plant invested 1 billion in the United States to establish seamless steel tube project.
- V. July 2012, China National Offshore Oil Corporation ho throws \$15.1 billion for the acquisition of Canadian Nexin. The trading makes Chinese investment in North America tripled over the previous year, reaching \$24.7 billion. The acquisition amount of \$15.1 billion makes the deal to become the largest overseas acquisition of CNOOC in Chinese enterprises completed to date.
- VI. February 23, 2013, China Petrochemical SIPC Company signed an agreement with Chesapeake Energy Corporation of United States to acquire 50% interest of oil and gas assets of the Oklahoma limestone reservoirs in the northern part of the Mississippi. Rights and interests' area is 425,000 acres. The total transaction price is \$1.02 billion.
- VII. In February 2013, Sinopec acquired a 40% stake of Wolf Camp shale oil and gas fields with total \$1.7 billion. May 2013, Shuanghui purchased Smithfield. The trading is about \$4.72 billion in cash. Shuanghui will also assume \$2.4 billion of debt of Smithfield; the deal is worth about \$7.1 billion including the debt included.
- VIII. December 18, 2013, Fosun International acquired Chase Manhattan Plaza in New York with the price of \$725 million.
- IX. Sany take acquisition of four wind power plant of the United States (July 2014 wins).
- X. In 2014, Chinese Oil Company acquired 40% of the rights and interests of the two oil sands projects of Athabasca in Canada with 1.9 billion Canadian dollars.

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Chapter 14

Chinese Investment in European Union

14.1 China's FDI to the European Union

According to the “Statistical Bulletin of China’s Foreign Direct Investment”, published by Ministry of Commerce of the People’s Republic of China, National bureau of Statistics of China and State Administration of Foreign Exchange, in 2013, China’s FDI flowed to the European Union reached \$4.524 billion, decreased by 2.8% compared to the previous years; accounting for 4.2% of its total FDI flows and 76% of its FDI flowed to Europe. By the end of 2013, China’s FDI stock in the European Union had reached \$40.097 billion, accounting for 6.1% of the total and 75.4% of its FDI stock in Europe. By the end of 2013, China had established almost 2000 FDI enterprises in the European Union, and the enterprises had spread in 28 member countries and hired 47,000 local employees.

14.2 The Analyses of China’s FDI Flows to the European Union and China’s FDI Stock in the European Union

The European Union currently has 28 member countries, consist of 15 original countries and 13 new member countries from the Eastern Europe, the Central Europe and western Asia. China’s FDI mainly concentrated on more developed Countries, such us Germany, United Kingdom and Luxembourg. Among China’s FDI flows to the European Union, United Kingdom ranked 1st and received \$1.42 billion, with a year-on-year decrease of 48.8%, accounting for 31.4% of the total; the following was Luxembourg, which received \$1.275 billion, with a year-on-year increase of 12.5%, accounting for 28.2% of the total; Germany ranked 3rd and

received \$0.911 billion, with a year-on-year increase of 14%, accounting for 20.1% of the total.

By the end of 2013, each of the six countries had received more than \$1 billion FDI stock, namely, United Kingdom, Luxembourg, France, Germany, Netherlands and Sweden. Analysis by country and region, China's FDI mainly concentrated on the original member countries of the European Unions. There were seven original member countries among the top ten countries both in China's FDI stock and China's FDI flows to the European Union. China had maintained higher FDI to United Kingdom, and expanded the FDI to Luxembourg; caused the Luxembourg ranks second in FDI stock and FDI flows. In addition, the FDI to Sweden and Netherlands were also expanded rapidly, by the end of 2013, Sweden received \$4.77171 billion FDI stock, which was about 25.36 multiples of it in 2012. Generally speaking, some new countries attract more China's FDI, and impulse the existing structure of the FDI.

14.3 The Analyses of China's FDI by Industry

In 2013, China's FDI flows, in terms of industrial distribution, manufacturing received \$1.805 billion, accounting for 39.9% of the total, and the flows were mainly concentrated in United Kingdom, Germany, Sweden, France, Netherlands, etc. Finance received \$1.447 billion, accounting for 32% of the total, and the flows were mainly concentrated in Luxembourg, United Kingdom, Germany, Ireland, France, etc. Leasing and business services received \$0.676 billion, accounting for 14.9% of the total, and the flows were mainly concentrated in Luxembourg, Netherlands, United Kingdom, Ireland, Germany, etc. Wholesale and retail trade received \$0.312 billion, accounting for 6.9% of the total, and the flows were mainly concentrated in Luxembourg, Germany, United Kingdom, Belgium, etc. Mining received \$0.191 billion, accounting for 4.2% of the total.

By the end of 2013, China's FDI stock, in terms of industrial distribution, leasing and business services had received \$10.328 billion, accounting for 25.8% of the total, and the stocks mainly concentrated in Luxembourg, United Kingdom, Netherlands, Germany, Ireland, etc. Finance received \$8.631 billion, accounting for 21.5% of the total, and the stocks mainly concentrated on United Kingdom, Luxembourg, Germany, France, Italy, Hungary, etc. Manufacturing had received \$8.027 billion, accounting for 20% of the total, and the stocks mainly concentrated in Sweden, United Kingdom, Germany, Netherlands, France, Italy, Hungary, Austria, Romania, etc. Wholesale and retail trade received \$4.165 billion, accounting for 10.4% of the total, and the stocks mainly concentrated in United Kingdom, Netherlands, Germany, Belgium, Italy, Luxembourg, etc. Mining had received \$4.074 billion, accounting for 10.2% of the total, and the stocks mainly concentrated in France, United Kingdom, Netherlands, Luxembourg, etc. Transport/storage and post had received \$1.226 billion, accounting for 3.1% of the total, and the stock had been mainly concentrated in United Kingdom, Germany,

Table 14.1 Industrial distribution of China's FDI to the European Union, 2013 (Unit: Millions of Dollars)

Industry	Flows	Share (%)	Stock	Share (%)
Leasing and Business Services	676.14	14.9	10,327.79	25.8
Finance	1447.26	32.0	8630.51	21.5
Manufacturing	1805.49	39.9	8026.80	20.0
Wholesale and Retail Trade	311.89	6.9	4164.95	10.4
Mining	190.82	4.2	4073.82	10.2
Transport/Storage and Post	35.65	0.8	1226.46	3.1
Construction	3.10	0.1	978.24	2.4
Scientific Research and Technical Services	33.49	0.7	765.42	1.9
Production and Supply of Electricity/Heat/ Gas and Water	55.27	1.2	738.28	1.8
Real Estate	59.55	1.3	350.94	0.9
Hospitality and Catering	4.34	0.1	275.07	0.7
Agriculture/Forestry/Animal Husbandry and Fishery	-123.62	-2.7	237.52	0.6
Education	-	-	95.96	0.2
Information Transmission, Software and IT Services	6.91	0.2	83.63	0.2
Resident Service/Repairs and Other Services	10.54	0.2	86.10	0.2
Culture/Sports and Entertainment	6.66	0.2	33.97	0.1
Others	0.01	-	1.15	-
Total	4523.50	100.0	40,096.61	100.0

Data Source 2013 Statistical Bulletin of China's Foreign Direct Investment

Belgium, etc. The share of construction, scientific research services, production and supply of electricity/heat/gas and water, and real estate reached 2.4, 1.9, 1.8 and 0.9%, respectively. The details listed in the Table 14.1.

We can conclude that, China's FDI structure was transforming from concentrating in few countries to spread to a larger scale. Investment still concentrated in services and Finance, but the 3rd position of transport has been replaced by manufacturing.

14.4 France

14.4.1 China's FDI to the France

Favorable investment environment attracted more and more enterprises to invest directly with the expanding scale, it was various in the industry and way. Paris has become the chief for investment place.

In 2013, China's FDI flows to the France reached \$260.44 million, by the end of 2013; China's FDI stock in the France had reached \$4.44794 billion.

14.4.2 The Analyses of China's FDI to the France by Industry

In 2013, China's FDI mainly concentrated in manufacturing, finance, and mining, etc. In 2014, China's FDI mainly concentrated in Paris, accounting for 59% of the total. In terms of industry distribution, listed in the Table 14.2, manufacturing accounting for 22% of the total. Perfume, cosmetics accounting for 14% of the total. Electric equipment and electronics accounted for 11%, Tourism, Hotel and Restaurant accounting for 8%.

There were also some changes happening. China, who aimed at expanding the scale of export, now purchased the products, technology and brand from France, in order to suffice the domestic demand. And the investors start to focus on the tourism, winery and nuclear power.

Table 14.2 China's investments by sectors

Sector of activity	Projects	Share (%)	Employments	Share (%)
Perfume, Cosmetics	5	14	49	5
Electric Equipment, Electronics	4	11	72	8
Tourism, Hotel and Restaurant	3	8	90	9
Automobile Construction and Equipment	3	8	28	3
Foods, Agriculture and Fishery	3	8	12	1
Aeronautic Materials, Railway and Naval	2	5	492	52
Machinery Equipment	2	5	37	4
Energy, Recycling	2	5	35	4
Textile and Accessories	2	5	20	2
Other Services Activity	2	5	6	1
Finance and Insurance	1	3	15	2
Electronic Consumer	1	3	15	2
Medical and Chirurgical Equipment	1	3	15	2
Medicines	1	3	15	2
Transport and Storage	1	3	10	1
Sales and Retail	1	3	10	1
Electronic Material	1	3	10	1
Chemical and Plastic	1	3	4	0
Total	37	100	955	100

Data Source AFII, 2014 and modified by the author

14.4.3 The Way of China's FDI

With the expanding scale of FDI, it has been various in the way. Before 2000, the main way of FDI was to build trade representatives. After then, it developed mainly on three ways. First way was to purchase. The Bluestar purchased the Adisseo and Silicones business of Rhodia Group, in 2006; the Weichai Group purchased the Baudoin, in 2009; the YTO Group purchased the McCormick, in 2011. These examples show the desire of advanced technology. Second was to build headquarters in France, such as the ZTE, Lenovo and Haier, because of the specific position of France as the "Gate of Europe" and developed infrastructures. The second way has accounting 60% of total in FDI. The third way was to build the R & D Center in France, such as the Huawei and the Weichai Group. It can be expected that, with the French government encouraging the policy of technology development, France will attract more and more Chinese enterprises which focus on technology development.

14.5 Germany

14.5.1 Size

In recent times, the direct investment of Chinese enterprises in Germany has grown significantly and the merger of Germany's enterprises was frequent. China and Germany have been paid more and more attention on continuing to expand economic ties. Germany was China's biggest trading partner in the EU. Germany's exports to China accounted for 45% of the total exports of the EU. Germany's imports from China accounted for 28% of the total imports of the EU in 2013. Trade volume between the two countries exceeded 114 billion euros in the first three-quarters of 2014. A growth of 8%, compared to the same period last year. Data from the German Federal Foreign Trade and investment agency show that 17% of the Chinese new cross-border projects settled in Germany during 2008–2013. Germany became the first destination for China in such investments. Besides, Chinese companies also entered Germany's market through mergers and acquisitions. There were 22 cases of corporate mergers and acquisitions transactions registered in Germany this year, including auto parts, retail, wine brewing and other industries. The direct investment from Chinese companies in Germany was \$799,330 thousand in 2012, which was \$910,810 thousand in 2013. The stock of direct investment from Chinese companies in Germany, was \$3,979,380 thousand.

14.5.2 Field

The main areas of investment by Chinese enterprises are supply, trade and marketing in developed countries. Which also explain why the green investment accounted for a higher proportion of Chinese enterprises direct investment?

60% of the direct investments from China were sales or similar service projects during 2006–2013. Exports accounted for a higher proportion of the Chinese economy.

Germany was a big industrial country, which was the reason of why many Chinese enterprises invest German industry. Chinese direct investment in Germany was about 9% in this area during 2006–2013. This ratio was relatively larger than other European countries. It was more obvious that industry accounted for a higher proportion in the mergers & acquisitions, which reflected the industrial advantages of Germany. The main industries of the direct investments from China were mechanical engineering, electronics and telecommunications. About 30% of the China enterprise's green investment was carried out by these industries during 2006–2013.

14.5.3 Style

It's hard to divide the Chinese direct investment in Germany into mergers and acquisitions or green space due to lacking of systematic data support. Investigation report from Rhodium Group showed that Chinese enterprises in the direct investment were more and more emphasis on the choice of mergers and acquisitions, however, investment in green space in a downward trend recent years. The report also shows that Germany was a very important investment object for Chinese companies in Europe. So, many of Chinese enterprises choose the way of mergers and acquisitions when investing. The inventors will be supported by this way. Survey from CIM showed that mergers and acquisitions are about 7 times the investment in green space in 2011.

No matter what data to analyze the current situation of investment in Germany, the direct investment of Chinese enterprises from the relatively low level began have been increased in Germany recent years. Most of them are M & A. Chinese enterprises still have a great potential in foreign investment, so, it can be predicted that this trend was likely to continue to develop in the next few years.

14.6 England

14.6.1 Investment Scale

Chinese enterprises' direct net investment in the UK was 1,419,580 thousand dollars in 2013. As of the end of 2013, Chinese enterprises' direct investment stock in the UK was 11,797,900 thousand dollars.

14.6.2 Investment Areas

Although China's largest investment in the UK was still in the energy industry, Chinese investment involved in other enterprises, such as Barclays Bank, BP, Diageo and Thames Water. China had minority shares in most of these enterprises, yet there are some well-known brands which under the main control of China. For example, Chinese Bright Dairy has British Weetabix's 60% shares while Wanda Group owns Sunseeker's 92% shares, and Geely cooperated with Manganese Bronze which was British mainly taxi manufacturer.

14.6.3 Investment Modalities

Overall, Chinese enterprises' investment in the UK has the following characteristics:

1. Rapid growth. The UK adopts a more open attitude toward Chinese investment, which leads to a rapid growth of China's investment in the UK.
2. The diversification trend of Chinese enterprises' investment industries in the UK is very obvious. Chinese enterprises' investment industries cover from the beginning of the petrochemical, manufacturing, banking and so on, to telecommunications, medicine, infrastructure, real estate, logistics, food and even nuclear power and cultural creative industries.
3. The tendency that Chinese enterprises' investment in the UK was extending the industry chain was particularly evident. The advantages of Chinese enterprises are in the manufacturing sector. Manufacturing industry was in the middle of the "smile curve" in the industry chain, whose two ends are development, brand, sales, and logistics. Chinese enterprises' overseas investment was extending to the ends of the "smile curve". What most Chinese companies do in their investment in the UK was purchasing most of the shares instead of acquiring the whole equities, so that they would be the parent companies of local enterprises.

14.7 Italy

14.7.1 Investment Scale

The direct investment in Italian from Chinese companies was \$31,260 thousand in 2013, at the end of 2013, the directly investment stock from Chinese enterprises was \$607,750 thousand.

14.7.2 Investment Field

14.7.2.1 Areas of Small and Medium Enterprises

Small and medium-sized enterprises in Italy developed well. Machinery, furniture manufacturing, leather and textile were its advantages, which was international and had strong competitiveness. Chinese huge market potential had a strong attraction for small and medium-sized enterprises in Italy, and the same time, Chinese small and medium enterprises urgently need to realize the transformation and upgrading of technology and brand, so both companies should carry out in-depth cooperation in the aspects of brand, technology and joint research etc.

14.7.2.2 Areas of Financial Cooperation

Chinese bank and Industrial and Commercial Bank of China respectively set up branches in 1998 and 2011 in Milan. China Development Bank, the Chinese largest investment bank, provides active support for the Chinese enterprises to invest in Europe. Such as: Geely's acquisition of Volvo, the Three Gorges Group acquired Portuguese power, State Grid bough Portugal's national grid operator. China Development Bank plays a role of the main financing side.

Next step, the Chinese companies in Italy should rely on each other; continue to play a role in the economic and trade exchanges between China and Italy.

14.7.2.3 Areas of Renewable Sources of Energy

China had strong competitiveness in the field of solar power and wind power. Italy renewable power enterprises also had strong demand for capital and technology cooperation with the China enterprises. China and Italy cooperated through a joint venture development, merger and acquisition, construction or design EPC etc.

14.7.2.4 Areas of Infrastructure

Strong cooperation in the field of telecommunication. The privatization of Italy's telecommunications provides opportunities for Chinese enterprises. HUAWEI established the first overseas R & D center in Italy in 2011 and cooperated with Italy Telecom, Vodafone and WIND cooperation, which were Italy's top three mobile network operators. Other Chinese enterprises, such as HUAWEI and ZTE, had brilliant future in the process of privatization of the telecommunications industry in Italy.

Cooperation on technology of highway field. The main cooperation between two sides in Road and Bridge was the advanced technology exchanges. Chinese

enterprises further strengthen the technical cooperation with Italy highway enterprises in the future. Especially in the conception of highway bridge construction, green environmental protection, user customization, the latest research and development technology and other fields. On the other hand, the economy developed and the per capital car ownership was high in Italy. At the same time, Italy finance was more robust and the relevant laws and regulations are completed. Chinese funded enterprises had long term investment strategy or seeking stability, sustained income could participate in the construction of the Italy highway fees and charges in the appropriated conditions.

There was space for cooperation in the field of Railway. China and Italy had not been carried out cooperation in the field of Railway. So, there were some difficulties in the cooperation between the two countries under the current conditions. First of all, It is hard for overseas enterprises to enter the Italian railway infrastructure market due to the Italy National Rail Corp's subordinate company—RFI, still holds the power of railway infrastructure management and investment maintenance and development of the railway network and other aspects. Second, the technical standards are different in these two countries, such as, the railway track system, the train running control system, interlocking system, and the driving command system and the high speed railway technology. Third, Italy road network was relatively saturated, the investment income was difficult to be guaranteed. In the future, if the Italy's railway infrastructure market for foreign enterprises opens gradually, China and Italy would have cooperation space in high iron technology and engineering projection.

14.7.2.5 Areas of Shipping and Shipbuilding

History of cooperation between China with Italy's shipping and shipbuilding can be traced back to the 90s of the 20th century. In the area of shipping, Chinese shipping company COSCO and China Shipping Group established branches in Italy, which were responsible for the development of shipping business. In 2005, COSCO and Mediterranean Shipping purchased Conateco, which was the largest container terminal port of Naples. It became a model of investment cooperation between China and Italy. In the future, China and Italy could cooperate in shipping field through establishing of the joint venture shipping company, to participate in the construction or acquisition of Italy port or other forms.

Shipbuilding industry, Shandong heavy industry successful purchased Italy luxury yacht maker Maserati Company at the beginning of 2012; Super yacht service base, which was the first yacht industry cooperation projects between China and Italy, settled in Sanya in April 2013. Chinese companies invest in shares, acquisitions and mergers or purchase Italy's shipyard. At the same time Italy's company can buy ships, set up professional R & D institutions in China.

At present, Chinese investment in Italy was still in two main ways of joint ventures and acquisitions. China also explore new investment model actively. For example, the local investment, the formation of cross-border joint studio etc.

14.8 Portugal

14.8.1 Investment Scale

Chinese enterprises' direct net investment in Portugal was 14,940 thousand dollars in 2013. As of the end of 2013, Chinese enterprises' direct investment stock in Portugal was 55,320 thousand dollars.

14.8.2 Investment Areas

China continued to invest in Portugal generously in 2014. Fosun Group acquired Fidelity Insurance with 1 billion 700 million euros in September and acquired GESS with 460 million euros with the help from Fidelity Insurance in October. In December, Haitong Securities acquired BESI wholly with 380 million euros.

In the mid April of 2015, Wanda Group was reported it had invested 1 billion euros in the Navarre football club to make transactions on hotels, residences and other real estates.

14.8.3 Investment Modalities

China's investment modalities in Portugal were variable as followings: wholly foreign-owned enterprises, joint companies and other legal investment forms. According to Portuguese central bank's statistics, Most China's investment modalities in Portugal were partial or completely acquisition of existing companies, profit acquisition to reinvest and so on.

14.9 Russia

14.9.1 Investment Scale

Chinese enterprises' direct net investment in Russia was 1,022,250 thousand dollars in 2013. As of the end of 2013, Chinese enterprises' direct investment stock in Russia was 7,581,610 thousand dollars.

14.9.2 Investment Areas

According to the statistics of the Ministry of Commerce, the total number of enterprises invested directly by China was 1034 as of the end of 2012. These

enterprises mainly distributed in Russia's large and medium-sized cities, such as Moscow, St Petersburg, and the Far East and Siberia regions which are adjacent to China. Russia's large and medium-sized cities, with strong economic power, vigorous market demand, infrastructure improvement, favorable investment environment and high consuming level, have a great attractiveness to Chinese enterprises. In addition, the Russian Far East and Siberia regions, with perfect geographical positions, strong industrial bases, developed technologies, and a wealth of natural resources, such as oil, gas, minerals, timber and other natural resources, are adjacent to the Northeast of China. The cooperation between Northeast China and the Russian Far East and Siberia regions attached a great importance in providing policy support for the Chinese enterprises' direct investment in Russia. The above mentioned areas are the main distribution areas of Chinese enterprises' direct investment.

In 2013, China's investment flow in Russia was 1.022 billion dollars, which was 30.2% higher than that in 2012. It was 0.9% of China's foreign direct investment flows and 17.2% of China's investment in Europe. From the view of industry distribution, the investment mainly concentrated on agriculture, forestry, animal husbandry and fishery (39.2%), mining (22.2%), manufacturing (16.2%), finance (14.2%), wholesale and retail (4.2%), etc.

As of the end of 2013, Chinese enterprises' direct investment stock in Russia was 7.582 billion dollars, which was 1.1% of China's foreign direct investment stock and 14.3% of China's investment in Europe. There are more than 1000 foreign enterprises with 15 thousand local employees in Russia. From the view of the main industry distribution, manufacturing (2.663 billion dollars), accounting for 35.1%; agriculture, forestry, animal husbandry and fishery (1.682 billion dollars), accounting for 22.2%; rental and business services (0.867 billion dollars), accounting for 11.4%; mining industry (0.808 billion dollars), accounting for 10.7%; real estate (0.552 billion dollars), accounting for 7.3%; 5% of construction, 3.6% of wholesale and retail and 3.5% of finance. See Table 14.3 or details.

14.9.3 Investment Modalities

At present, the establishment of subsidiaries, Associate Companies and branches (such as representative offices, offices), etc. are the main ways for Chinese enterprises to invest directly in Russia. However, in order to improve business performance and investment efficiency, it was urgent to choose appropriate investment modalities according to the relevant provisions of Russia's foreign investment market access and combine the actual situation. Chinese enterprises would be limited to control shares of Russia's oil, gas, hydropower, mining, iron, steel, coal and other strategic resources. Most companies can only have 50% of the shareholders or members' voting rights in foreign companies. In this case, Chinese companies should only invest in cross-border acquisitions and establishment branches such as associate companies and offices. Once Chinese enterprises invest

Table 14.3 Investment Distribution

Industry	Flow	Proportion (%)	Stock	Proportion (%)
Manufacturing	16,525	16.2	266,266	35.1
Agriculture, Forestry, Animal Husbandry and Fishery	40,042	39.2	168,249	22.2
Rental and Business Services	1383	1.3	86,698	11.4
Mining	22,698	22.2	80,806	10.7
Real Estate	362	0.4	55,245	7.3
Construction	2049	2.0	38,134	5.0
Wholesale and Retail	4257	4.2	27,077	3.6
Finance	14,474	14.2	26,754	3.5
Information Transmission, Software and Information Technology Services	86	0.1	1481	0.2
Transportation, Storage and Postal Services	150	0.1	2209	0.3
Resident Services, Repairing and Other Services	100	0.1	3646	0.5
Scientific Research and Technical Services	90	–	800	0.1
Other Industries	9	–	796	0.1

Data Source 2013 Statistical Bulletin of China's Foreign Direct Investment

in textiles, food processing and wood processing, Russia will make several encouraging policies come out instead of limiting the foreign investment of these traditional industries. Chinese enterprises could establish subsidiaries as a high-level controlling way to invest in these areas by holding more than 50% of the shareholders or members' voting rights in foreign companies. They could improve the investment income with the appropriate operation and management of the enterprises.

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Chapter 15

Chinese Investment in Asia

15.1 Investment to Southeast Asia and South Asia of Chinese Enterprises

15.1.1 *The Current Situation of Investment to Southeast and South Asia of Chinese Enterprises*

South Asia contains more than 1.6 billion residents, and the large population not only creates tremendous market demand directly but also supplies abundant cheap labor force. South Asian countries have rich natural resources, which consist of 14 mineral resources such as petroleum, natural gas, coal, copper, iron and so on. Constrained by funds and technology, these resources market is not well developed at present, but has great potentialities. Given the fact that infrastructure construction is delayed, the governments in South Asian countries need to construct a batch of large-scale roads, ports, airports, railways, power facilities and telecommunications. It predicts a broad market in engineering construction and electric power development. In a sum, the huge population, abundant natural resources and enormous size of to-be-built infrastructure constructions arise great opportunity for Chinese and global firms.

15.1.1.1 Investment Scale

Compared with ASEAN's investment to China, the amount of China's investment to ASEAN was relatively small. Since China and ASEAN signed the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation in 2002, China's direct investment to ASEAN entered into fast development period. Till 2013, China's FDI to ASEAN was 35.67 billion dollars, accounted for 8% of Asia's FDI, and increased more than 2.8 times per year in average. More than that, China

ranked from 11th in 2000 to 5th in 2009 in the investment to ASEAN. In 2010, China became the largest investor in Burma, Laos and Cambodia, and increasingly important to other ASEAN countries.

15.1.1.2 Industry Type and Area of Investment

Chinese firms mainly invest in agricultural machinery, appliances, chemical, spinning, motor cycle and so on. Appliances firms such as ChangHong, Haier, Chunlan, Aucma and Skywe swarmed into ASEAN; Lifan, one of the biggest from Chongqing is well known in ASEAN especially Vietnam and Indonesia; CNOOC bought the right for \$585 million to develop oil and gas in Indonesia from REPSOL-YPF—the biggest Spanish gas company. CNOOC became the biggest firm engaging in offshore oil development in Indonesia; CNPC bid for 4 oil fields which was worth \$216 million from DEVON in Indonesia. CWGC invested \$120 million building four factories in an eastern Thai industrial park to produce cotton spinning, textile printing, citric acid, etc.

15.1.1.3 Investment Method

Chinese firms have three choices to enter foreign markets including new investment, international contract and overseas mergers. New investment means direct invest in host country establishing new firms or new factories in order to generate new production capacity. Merger means M&A among firms from more than two countries or areas and acquires ownership and administrative rights from host countries. It is segmented into wholly owned and joint venture according to ownership arrangement overseas. Wholly owned refers to firms founded in host countries are fully operated by direct investors. Joint venture refers to firms founded in host countries are operated by investors from more than two countries or areas and share profits and losses. In late 20th century, transnational M&A became main method of outward foreign direct investment (OFDI) gradually. In 2005, OFDI accounted for 80% of global FDI, but at present, Chinese firms' direct investment to ASEAN is based on joint venture and newly built. Chinese firms which invest in ASEAN are commonly small, unfamiliar with local circumstances, and take low risk tolerance and limited financing channels, thus merging and wholly owned operation are not suitable for most Chinese firms.

15.2 Investment to Central Asia of Chinese Enterprises

15.2.1 The Current Situation of Investment to Central Asia of Chinese Enterprises

15.2.1.1 Investment Scale

Chinese firms' resource-based FDI started in 1997; the hallmark event was CNPC bid for \$320 million obtaining 60.3% of the share of Kazakhstan AKeJiuBinSiKe oil and gas co., LTD.

Till late 2010, aggregate amount of Chinese firms' resource-based FDI had exceeded \$15 billion. Investing participants include China National Petroleum Corporation (CNPC), Sinopec, China National Offshore Oil Corporation (CNOOC), CITIC Group, TBEA, China Guodian Group, CGNPC, Sinohydro Corp, CPPEC and Sinosteel, etc.

15.2.1.2 Investment Structure

Chinese firms mainly Invest in oil and gas, partly in uranium resource and hydroelectricity. They collaborate or merge to invest oil and gas in Central Asia, including prospecting right, building cross-border pipeline, merging domestic resource firms, acquiring stock rights of oil and gas resource from foreign firms.

15.2.1.3 Investment Method

Chinese firms invest more in Kazakhstan and expand than other four countries in Central Asia. They focus on Kazakhstan for oil and uranium mine, Turkmenistan, Uzbekistan and Kazakhstan for gas resource, Tajikistan, Kyrghyzstan and Kazakhstan for electricity. After more than ten years, Chinese resource-based FDI to Central Asian benefited a lot with increasing investment amount and projects. For instance, till late 2010, accumulated investment of CNPC had exceeded \$5 billion. It had 7 main projects in Kazakhstan include Aktobe project, PK project, China-Kazakhstan petroleum pipeline project, China-Kazakhstan natural gas pipeline project, North Buzachi project, ADM project and KAM project; projects in Turkmenistan included developing gas resource in Amu Darya Right Bank, constructing China-Turkmenistan natural gas pipeline project; projects in Uzbekistan included exploring and developing oil and gas resources in Ustyurt, Bukhara Shiva, Fergana and Aral Sea. The most successful investment was the completion of China-Kazakhstan petroleum pipeline and China-Turkmenistan natural gas pipeline, which enabled us to import oil and gas from the Central Asia, the Middle East and Russia easily.

15.3 Investment to East Asia of Chinese Enterprises

15.3.1 The Current Situation of Investment to East Asia of Chinese Enterprises

In late 2013, Chinese FDI stock in Asia was \$447.41 billion. In Asia, China's FDI focuses mainly on Hong Kong of China, Singapore, Indonesia, Japan, Korea and Mongolia, etc. Compared with Southeast, the cost of Chinese labor has no advantage; it's 30% higher than the cost of Thailand, Indonesia and Vietnam. In 2005, pay levels of Vietnam and China were basically the same, while in 2012, pay level of Vietnam was one-third of China, the average wage in Ho Chi Minh was \$148, yet Guangzhou's was \$395.

15.3.2 The Current Situation of Investment to Korea of Chinese Enterprises

15.3.2.1 Investment Scale

In 1992, China and South Korea established diplomatic relations, which made great development in mutual investment. For one thing, Korea's investment to China grew very fast, for the other; China started to invest in Korea as the economic prosperity. In 1999, China's direct investment to Korea grew rapidly; it had 323 items, the growth contributed to the effort of introducing of foreign capital by president and improving national prestige. When the financial crisis happened in 1997, Korean government imported foreign capitals positively, and from 1998 to 2000, FDI to Korea grew dramatically. While in 2000, the situation of world economy deteriorated and both other countries and China's FDI to Korea decreased sharply. In 2002, China's FDI to Korea started to recover, the investment projects were 441 (18.1% market share) made us investing the 3rd most in Korea. From Jan. to Sep. in 2004, China's FDI to Korea had 427 items. It was predicted that China's FDI to Korea would keep growing. As China invested more, its net FDI to Korea was \$342 million, \$9.42 million and \$2.69 million, till 2013 FDI stock to Korea was \$1.96 billion. The amount of Chinese capital scale entering to Korean financial market had increased by 50 times from \$0.45 billion in late 2008 to \$23 billion in late 2014. Chinese capital share had quadrupled from 2009 to late 2014 at the investment proportion in Korean security market from abroad.

15.3.2.2 Investment Structure

According to South Korea's ministry of knowledge economy, till 2010, China's FDI to Korea had 7127 items; the amount was about \$3.08 billion. The shares of

investment fields were: Manufacturing 58.7%, Service industry 40.7%, Agriculture and Mining industry 0.3%, utilities and construction 0.3%. The average amount of investment was \$430 thousand.

15.3.2.3 Investment Method

Chinese firms' FDI methods mainly contained joint venture, wholly-owned and cross-border M&A. In the early stage, the investment mainly focused on service industry related to trade and food and beverage. In recent years, investment to manufacturing kept growing. Wholesale accounted for largest in FDI of service, and transportation machinery and chemical engineering accounted for largest in FDI of manufacturing.

15.3.3 The Current Situation of Investment to North Korea of Chinese Enterprises

In 2004, some provinces like Liaoning, Sichuan, Fujian and Heilongjiang convened "North Korea investment seminar", and organized businessman to investigate market in North Korea. In November, 2004, Shenyang entrepreneur association convened "North Korea investment seminar", more than 500 Chinese entrepreneurs took part in the seminar. Enterprise investment investigate group from Fujian invited North Korea in 2004, investigated domestic market, and negotiated to invest anthracite factory and plastic factory in North Korea whose total amount was \$117 billion. At that year, an investigate group composed of 31 firms from Sichuan went to Pyongyang at North Korea's foreign trade Ministry's invitation. North Korea government imported investment from Chinese firms positively. In Feb, 2005, senior official of North Korea's Committee of Foreign Economic Cooperation and Promotion came to China at The Chinese People's Association for Friendship with Foreign Countries' and China-DPRK Friendship Association's special invitation. Many Chinese big firms joined "North Korea investment environment session" held in Beijing at Feb 25th, 2005 and signed investment agreement. The features of China's investment to North Korea were (1) relied mainly on South firms and border regions as medium; (2) relied mainly on resource-based development investment; (3) invested in manufacturing; (4) relied mainly on compensation trade as a way of cooperation.

In recent, the amount and scale of Chinese firms' investment to North Korea had no official data. According to statistical date released by China's Ministry of Commerce, till late 2010, Chinese firms' non-financial stock of direct investment (real investment) to North Korea was about \$290 million.

15.3.4 The Current Situation of Investment to Mongolia of Chinese Enterprises

China-Mongolia trade recovers as the relationship between China and Soviet Union improved in late 1980s, in 1985 China and Mongolia restarted cross-border trade between Erenhot in China and Zamyn-Uud in Mongolia, the volume of trade was \$260 thousand that year. After collapse of the Soviet Union, trade relationship between two countries kept developing. Till late 2009, the volume of trade had reached \$2.397 billion. Although it was small compared to China's import-export volume, the volume of cross-border trade had accounted for 56.9% of Mongolia's GDP, it occupied more than half of the volume of foreign trade and had significant impact on Mongolia. China's FDI to Mongolia kept increasing with development of trade between two countries. Since 1998, China maintained the biggest investor in Mongolia.

15.3.4.1 Investment Scale

In 2011, the amount of China's FDI to Mongolia exceeded \$2 billion. From 1996 to 2011, the amount of China's accumulated investment to Mongolia was \$2.99 billion, accounting for 70.4% of total amount of foreign investment. Considered a variable legal environment, China's FDI to Mongolia decreased 41%. We can learn that, China's firms are not active invest in Mongolia in recent years.

15.3.4.2 Investment Structure

Till 2010, Chinese firms' FDI to Mongolia was mainly distributed to mineral, accounting for 67.4% of the share; secondly was trade and catering, accounting for 20.8%; thirdly was manufacturing, accounting for 2.15 and 9.75% in other fields.

15.3.4.3 Investment Method

The method of Chinese firms' FDI to Mongolia mainly contained joint venture and wholly-owned. The investment method of joint venture between China and Mongolia was the most.

15.3.5 The Current Situation of Chinese Enterprise Investment in Japan

15.3.5.1 Investment Scale

The scale of direct investment to Japan from China grows rapidly. From the point of view of the traffic, the direct investment to Japanese from China has been growing rapidly in recent years. According to statistics from the People's Republic of China ministry of commerce, based on the declined slightly in 2007, the annual growth rate was 100% or more in many years. From the point of view of the stock, the stock of China's direct investment to Japan is also in rapid growth, from 2003 to 2013, the average annual growth rate of China's direct investment stock to Japan was 46.6%. The net of China's direct investment to Japan from 2011 to 2013 were \$150 million, \$210 million and \$430 million respectively, by the end of 2013, the stock of China's direct investment to Japan was \$1.998 billion.

15.3.5.2 Investment Structure

Looking from the industry distribution of direct investment, China's direct investment to Japan in industries ranges are extensive, manufacturing including fiber, chemicals, nonferrous metals and all kinds of machinery manufacturing industry, the non-manufacturing including communications, transportation, wholesale and retail, finance, insurance, real estate and other services. Looking from the number of investment companies, the industries of China's direct investment to Japan are mainly concentrated in the non-manufacturing field.

15.3.5.3 Investment Method

According to the related survey of cabinet office, China implemented in green field investment way to invest in Japan accounted for nearly 70%, to achieve by way of merger of Japanese investment accounted for 30%, but it has a rising trend.

15.4 Investment to West Asia of Chinese Enterprises

15.4.1 The Current Situation of Chinese Enterprise Investment in the West Asia

15.4.1.1 Investment Scale

China's direct investment to west Asia country starts late, and the scale is small. By 2010, west Asia accounted for only 5.06% of the total amount of China's direct

investment to foreign countries. The investment amount is about \$3.48 billion, and apparently the proportion is low. The United Arab Emirates is the country that has the most investment projects and investment amount, in addition to Saudi Arabia, Kuwait, Qatar, Oman, Jordan, Israel, Iran and Turkey, etc.

15.4.1.2 Investment Structure

Investment field are mainly concentrated in light industry departments, such as plastics factory, wire drawing factory, weaving factory, glass frame factory and tanneries, etc. China has set up more than 300 companies in the United Arab Emirates, which mainly concentrated in Dubai (180), Sarah (110) and Abu Dhabi (20). Most companies engaged in trade in goods, but few companies engaged in the production and business operation.

15.4.1.3 Investment Method

The way of China's investments in west Asia is mainly private direct investment, and the scale mostly is small. There are several relatively large scale trade centers, such as Chinese machinery and electronic products exhibition center in Sharma, the trade center in Sharma, Chinese shoes city in Dubai, etc. Syria: In addition to the oil field, China's investments in Syria have some successful projects, such as Haier's Hama washing machine (annual output 50,000 units) and microwave oven project (annual output 50,000 units), and the market share of its products in the country reached 20%. Oman: Chinese companies' investments in Oman are mainly concentrated in the field of block risk of oil and gas exploration and development. Jordan: In 2001, Haier group made two investments in Jordan, cooperating to establish trading companies and home appliance assembly plant in the Middle East, and the amount of investment is \$1.2 million. With the support of marketing network by Jordan and surrounding countries, the export of Haier's products and components to Jordan and other countries in the Middle East are doubled, which gradually replaces part of products from Japan and South Korea.

Since the 1990s, bilateral import and export scale expanded rapidly. As China to west Asia country's oil imports increased rapidly and the international oil prices became high, as well as China's capital goods and the production and export of light industrial products manufacturing capacity significantly increased, China and west Asia countries' bilateral goods import and export scale expanded rapidly. From the perspective of China's foreign trade, though the proportion that the import and export of west Asia of total amount of China's foreign import and export is still relatively small, but in recent years, it revealed a steadily rising trend, and the importance is increasingly strengthened. Into 2000, as one of the world's most important suppliers west Asia became the main imports source of China's energy resources. Since the accession to the WTO, China implemented the policy of tariff concession actively, which promoted the Chinese imports from Asia countries.

China has begun to maintain long-term trade deficit, and trade deficit has a tendency to continue to increase. The concentration that China trades to west Asia is higher, China's major trading partners in west Asia generally are high level of economic development, rich oil resources and faster-growing urban infrastructure needs countries. From China to export commodity structure point of view, in recent years, China's exports to Asia are mainly concentrated in machinery and transport equipment (SITC7), according to the classification of materials manufactured goods (SITC6) and miscellaneous products (SITC8).

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Chapter 16

Chinese Investment in Africa

16.1 The Investment Status of Chinese Enterprises in Africa

In the field of investment, it transformed from trade oriented into production process and resource-based development, Investment fields were related to many aspects of trade, for example, production and processing, resource development, transportation, agriculture, agricultural comprehensive development, and so on; Many Chinese companies actively seek cooperation opportunities in new areas of construction, electricity, transportation, oil, communications, etc. On the scale of investment, according to Commerce Department statistics, China invested Africa a total of \$29.78 billion and 32.02 billion in the year of 2014 and 2015.

In view of the overall situation of the investment in Africa, this paper analyzes the situation of China's top ten ranking in Africa in 2014.

16.2 The Characteristics of Chinese Enterprises to Invest in Africa

16.2.1 The Total Investment Is Lower, But the Growth Rate Is Higher

In twenty-first Century, China and Africa changed dramatically. China's economy continues to maintain a rapid growth momentum, in November 2001, China joined the WTO, marking the opening of a new stage. In order to respond to the impact of economic globalization, the African countries accelerate the development, enhance the awareness of the joint efforts, and began to participate in international cooperation in a more active posture, and increase the intensity of regional construction. In July 2002 the African Union formally established, marking the African country's solidarity

Table 16.1 2012–2014 Foreign direct investment by Region (Unit: ten thousand US dollars)

Years	Total investment	Asia	Africa	Europe	Latin America	North America	Oceania
2012	8,780,353	6,478,494	251,666	703,509	616,974	488,200	241,510
2013	10,784,371	7,560,426	337,064	594,853	1,435,895	490,101	366,032
2014	12,311,986	8,498,803	320,192	1,085,791	1,054,739	920,766	432,695

Data Source China Statistical Yearbook

and cooperation from the political field to all directions, and the social, economic development put on top of the agenda. These new changes opened up broad prospects for the development of China Africa economic and trade relations, China Africa economic and trade cooperation entered a new stage of development, by 2013, China surpassed the United States as Africa's largest trading partner.

However, in view of China's overseas direct investment, China's total amount of direct investment in Africa is low mainly refers to low Chinese direct investment in Africa accounted for the proportion of China's total overseas investment. As shown in Table 16.1, in 2013, China's foreign direct investment flows of \$107.8 billion, of which \$75.6 billion in Asia, accounting for 70.1%, direct investment in Latin America was \$14.36 billion, accounting for 13.3%, Africa \$3.37 billion, accounting for 3.1%, Europe \$5.95 billion, accounting for 5.5%, North America 4.9 billion US dollars, accounting for 4.5%, Oceania \$3.66 billion, accounting for 3.4%. According to the Ministry of Commerce and the International Bureau jointly issued the "2013 Statistical Bulletin of China's foreign investment", According to the Ministry of Commerce and the International Bureau jointly issued the "2013 Statistical Bulletin of China's foreign investment", data shows that in 2013 China's investment growth in Africa reached 33.9%, remaining stable for several years of high growth, it can be seen that China's investment in Africa has a big room for growth.

16.2.2 *The Growing Plenty of Investment Areas*

In the process of investment area gradually expand, Chinese investment areas in Africa has been continuously enriched. By the end of 2013, it developed from the early mainly agricultural and industrial development to mining (26.4%), finance (14%), manufacturing (13.4%), construction (26.1%), scientific research and technical services (5.1%) etc. International economic cooperation almost covered all industries. In recent years, with the rapid development of China's economy, China increased demand for resource products. Besides, under the needs of the domestic industrial structure adjustments, energy development and construction investment rapidly became an important field of investment in Africa. By the end of 2013, mining and construction investment accounted for 26.4 and 26.1% of Chinese investment stock respectively, among the top two.

16.2.3 The Growing Diversified of Investment Entities and Investment Projects

During the 1980s and 1990s, Chinese enterprises invested in Africa were mostly large state-owned enterprises. In recent years, with the development of Chinese private enterprises, this situation changed quietly. Currently, there were a lot of private companies involved in the African market, and the proportion of China's direct investment in Africa is gradually increased. By the end of 2005, among the 800 Chinese companies invested in Africa, there are over 100 state-owned enterprises. Most of the rest were small and medium sized enterprises or private enterprises. The noted province of private economy, Zhejiang province, invested 182 enterprises in Africa in 2006, reaching about \$55.7 million. According to the Ministry of Commerce of China, SMEs for foreign direct investment gave priority to African countries, reaching the proportion of 32%, which was far higher than Southeast Asia (20%) and Latin America (18%). Different from state-owned enterprises, most of China's private enterprises invested in Africa were small and medium-sized enterprises. Their investment field was far beyond the state-owned enterprise of mining, infrastructure, large engineering project, but covers all aspects of economic life. From medicine, communications, home appliances to textiles, toys, food, we can see Chinese private enterprises in various industries in Africa. The flexibility of China's private enterprises investment makes it easier to find investment projects in Africa, which played an important role in enriching African economies and getting rid of the bondage of a single economic system. For all the overseas enterprises, Africa is China's third largest concentrated area, after Asia and Europe. By the end of 2010, China had set up overseas companies in Africa nearly 1955, which increased of over 300 than the end of 2009. It crossed 50 countries in Africa, mainly in Nigeria, South Africa, Zambia, Ethiopia, Egypt and other countries, accounting for 12.1% of China's overseas companies. In the past, most of the enterprises invested in Africa were large state-owned enterprises, however, many private enterprises and individual practitioners also invest in Africa, which became a vital force of investment in Africa. In 2010, the investment in Africa of noted province of private economy, Zhejiang province, reached \$2.68 billion, ranking the first in China. This suggested that during the enterprises investment in Africa, although more than 100 large state-owned enterprises still dominated, SMEs had formed a vital investment strength, such as ZTE, Huawei, Lifan, Hope Group, Wan Xiang Group, and other a batch of well-known enterprises. State-owned enterprises and private enterprises were cooperating in resources development, manufacturing, trade services, wholesale and retail. The diversified investment pattern had been initially formed. Therefore, in 2009, Chinese government specially provided \$1 billion on supporting China's financial institutions establishing special loan for Africa to develop small and medium-sized enterprises. Chinese enterprises realized a good self-development, and at the same time they also brought the appropriate technology and management experience, increased local tax revenue and trained management staff for local companies.

16.2.4 The Growing Diversity of Investment Ways

Chinese direct investment in Africa was becoming more diverse and the existing mode of investment based on sole proprietorship and joint venture. Due to the flexibility of the sole proprietorship was adapt to the inherent requirements of SMEs “small boat at the helm”, it was favored by Chinese SMEs. Similarly, the joint venture also has the advantage of attracting Chinese companies. Chinese investors were not access to market information in Africa very well because of the barriers of cultural and language. But African partners had the natural advantage in this area and its market resources, understanding of the local policy and business environment could take full advantage of making up for the defect of Chinese enterprises. As a result, Chinese investors were more easily integrated into the African market and get “quick-win”. In addition to sole proprietorship and joint venture, the ways of Chinese companies used in equity participation, mergers and acquisitions and joint ventures with third countries increased gradually. For example, in March 2011, Sichuan Han Long Mining invested about \$1.2 billion to acquire 16% stakes of Sundance Resources Ltd., a major iron ore company in Africa. Thus its shares of SDL increased to 19%, becoming the largest single shareholder. Besides, Chinese companies developed Sudan’s oil resources with enterprises in Malaysia, and set up a basic perfect oil industry system for Sudan.

16.2.5 The Imbalance of Investment Regional

China’s investment projects in Africa developed from the original Egypt in the North Africa and Sudan in the East Africa, South Africa and Zambia in the South Africa to the whole Africa. As early as 2007, Chinese direct investment in Africa had covered 81% countries and regions of the African continent, which was higher than Chinese enterprises’ average coverage of 72%. According to Chinese Foreign Direct Investment Report 2013, by the end of 2013, Chinese investment projects in Africa had been covered 59 countries and regions of African continent. But China’s investment in Africa was still showing the regional imbalance, and the situation excessively focused on a few countries has not changed. Chinese investment projects in Africa mainly in South Africa, Nigeria, Zambia, Algeria, and Congo (DRC) and so on. In 2013, South Africa accounted for 16.8% of total Chinese investment in Africa stock. And the top ten countries invested in Africa accounted for 67.4% of total Chinese investment in Africa stock. China’s investment in Africa is excessively concentrated. It was not conducive to the implement the strategy of market diversification, and also led to an auto-correlation competition unfavorable situation for repeating in the same area of similar enterprises.

16.2.6 Adopt Different Modes with Western Developed Countries

Historically, the development of the western developed countries in Africa was the manner of colonial plunder. Colonialism in Africa was often based on a single industry or even a single product in Africa, such as oil, non-ferrous metal mining, forestry, and other single-crop farming, leading a single economic system formed by many African countries, such as the oil industry in Nigeria and Angola, the gold, copper and cobalt mining industry in Congo, the coffee in Uganda, the nickel mining in Burundi and so on. This single economic system has seriously hindered the economic development of African countries. In plundering Africa's resources, the western developed countries did not invest the infrastructure in Africa. Although African countries paid a lot of resources, its long-term economic environment did not improve. At the end of the old colonial era, the economic relations between developed countries and African countries was still built on an unequal basis. The direct investment aimed at African countries often came with other harsh political and economic conditions, damaging the sovereignty and economic interests of African countries. Western countries received countless wealth from Africa, while Africa remains the world's poorest region.

Different from western developed countries, China advocates a new investment model in Africa: equality and mutual benefit and non-interference in each other between sovereign states; using the way of key-in-hand to invest the infrastructure for resources. "Equality and mutual benefit and non-interference in each other between sovereign nations" refers that equality and mutual benefit is the relationship between China and the host country, and China's investment in the host country has not the harsh conditions. Besides, it also includes non-interference in the internal affairs of the host country. "Using the way of key-in-hand to invest the infrastructure for resources" refers that China use the approach of "key-in-hand" to invest the host country infrastructure in exchange for resources exploration rights; the so-called "key-in-hand" refers that through engineering infrastructure (including engineering design), equipment installation (including technology transfer), commissioning of qualified (including professional training), China give the entire project's right of management and use to host country.

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Chapter 17

Chinese Investment in Oceania

17.1 Introduction of Some Oceania Countries

17.1.1 Australia

China's investment activities in Australia began in the 1980s. Compared to the traditional investors for Australia such as United States, Britain and Japan, China started relatively late.

There were early investment activities. CITIC company invested in Portland aluminum plant in Australia in June 1985, and Sino steel invested to construct the iron ore projects in Australia in 1986. According to the calculation of the Australian bureau of statistics, more than ten years before 2005, and the scale of Chinese investment into Australia was only about \$180 million a year, far lagging behind that of traditional investors in Australia such as Britain and the United States. Chinese companies' investment to Australia reached a climax in 2008 and 2009. From 2008 to 2009, Chinese investment to Australia passed over the UK and Japan who had long-term occupied the leading position. China became second largest source of investment only after the America.

In July 2008, Sino steel controlled Australia's Midwest successfully with a 50.97% stake in, becoming the first successful case of hostile takeover among Chinese enterprises' overseas acquisitions.

In 2009, it appeared the largest Chinese investment to Australia throughout history. Chi Nalco acquire for 18% of the Rio equity and other high quality assets with 19.5 billion Australian dollars, but the M&A ended in failure. In the same year, there were other larger transactions. Hunan Val in's acquired for Fortescue' 17.3% equity which was Australia's third largest iron ore producer; China Minmetals acquired for OZ minerals' 100% equity which was financially troubled with 1.7 billion Australian dollars; Yanzhou Coal Mining Company acquired for Coal producers—Felix resources' 100% equity with 3.54 billion Australian dollars. Among them, China Minmetals' acquisition of OZ minerals 100% equity was

refused initially Due to safety issues, because the main fields of OZ—Prominent Hill was close to sensitive national defense project Woomera. Later, the amend application to remove the sensitive assets got approved.

There were other notable projects of Chinese investment to Australia in recent years. In 2010, the Hanlong mining Investment Co. Ltd of Hanlong group acquired Moly Mines Ltd.'s 51% equity by 200 million dollars, becoming its controlling shareholder. This was the biggest purchase project in Australia of China's private enterprises. In 2011, Bright food co., LTD signed a strategic cooperation agreement with the Australian Nathan food group. The light would purchase Manassen's 75% equity from Australia's Private Equity fund—Champ Private Equity with 530 million Australia dollars (\$562 million) and became its controlling shareholder. The acquisition had become the biggest overseas acquisition in Chinese food industry. In 2013, Shandong Gold's subsidiary corporation, Shandong international mining co., LTD, would acquire a 51% stake in Australian Focus mineral companies. The latter's placement of shares to the Shandong Gold group would finance 230 million Australia dollars (1.5 billion Yuan).

17.1.2 New Zealand

Before 2008, the net amount of China's direct investment to New Zealand was less than 90 million dollars. Until the 2008, the CSFTA was signed. It provided a powerful driving force for Chinese investment in New Zealand, and Chinese investment to New Zealand began to increase rapidly. Before 2009, there were only more than 20 companies that mainland's companies invest in New Zealand. The main areas were real estate, forestry, hotel industry, manufacturing, etc. In the period, among the 22 mainland enterprises that entered in New Zealand, there were six (27.3%) investing in real estate. For mainland companies, forestry was another great hotpot besides real estate. Four of the 22 enterprises invested in forestry, making 18.2% of the total. These four companies' time of entering in New Zealand forestry were 1990, 1994, 1996 and 2000 respectively, concentrated in the 1990s.

After 2009, Chinese investment in New Zealand increased rapidly, and the investment scale grew quickly. There were some changes in investment fields. Real estate investment was still a hot area, but the proportion of individual investors grew more pronounced. In addition, China's investment in New Zealand mainly concentrated on the first industry, including farms, food production (dairy industry chain), and tourism. It will be the guiding direction of the future investment in New Zealand. The typical example is: in 2014, the Erie shares group constructed the dairy industry chain. It planned to invest about 2 billion Yuan (about 400 million New Zealand Yuan) in New Zealand, setting up the raw milk processing project. The project covers the milk powder, liquid milk, deep processing of raw milk and milk powder packaging four categories. Adding up the already 1.219 billion Yuan investment in New Zealand milk powder factory, Erie shares' total investment in New Zealand was more than three billion Yuan.

17.1.3 Several Other Countries

China's direct investment to Papua New Guinea, Samoa and Fiji began in 2000. In Chinese direct investment to Oceania, their share of the proportion was smaller. Until in 2010, China's net (traffic) amount for the three countries was only 5% of total investment amount in Oceania. But there were also some influential investment projects. For example, On November 3, 2006, the China metallurgical group cooperate with Papua New Guinea, they laid a foundation to the development of Mr. Nickel project. The project formally put into production in December 2012. This was Chinese largest investment projects in the Pacific island region. In December of 2009, China petroleum & chemical group and Exxon Mobil that led the liquefied natural gas project in Papua New Guinea signed the agreement; Sinopec will receive 2 million tons of liquefied natural gas each year after the project put into production. In 2013, the Chinese enterprises invested 13 million dollars on building solar power plants in Samoa.

17.2 The Status Quo of Chinese Enterprises Overseas Investment in Oceania

17.2.1 Scale Features: The Growth Rate of Investment Is Fast, But the Size Is Still Very Small

China's foreign direct investment had been a rapid growth in 2010–2013. Net foreign direct investment (flow) grew from 2010 of \$68.81 billion to 2013 of \$107.84 billion, with the growth rate reached 56.7%. The investment flows the first time exceeded US \$100 billion, and China became the world's third largest foreign investor. While the cumulative net foreign direct investment (stock) also grow from 2010 of \$107.84 billion to 2013 of \$660.48 billion, with a huge growth of 108%. In this context, the net direct investment in Oceania (flow) also increased from \$1.889 billion in 2010 to \$3.661 billion in 2013, with a growth of 93.8%. And the stock increased from \$8.607 billion in 2010 to \$19.017 billion in 2013, with a growth of 120.95%. From the growth rate, Oceania's traffic growth over the past 4 years is even faster the overall flow rate of China's foreign direct investment. The absolute amount of investment flows in Oceania has a big increase, but compared with the overall size, it is still very small (Fig. 17.1; Tables 17.1 and 17.2).

From the chart, we can see that Oceania's investment flows accounted for a change in volatility and the growth rate is small. The highest peak was being in 2011, and the traffic accounted for 4.4%, ranking second in all continents, just higher than in Africa. In other years, it accounted for less than 3.5%, being the last two of continents. It cannot be compared with the high proportion of Asia and Europe. Therefore, Oceania's investment scale is indeed small (Fig. 17.2; Table 17.3).

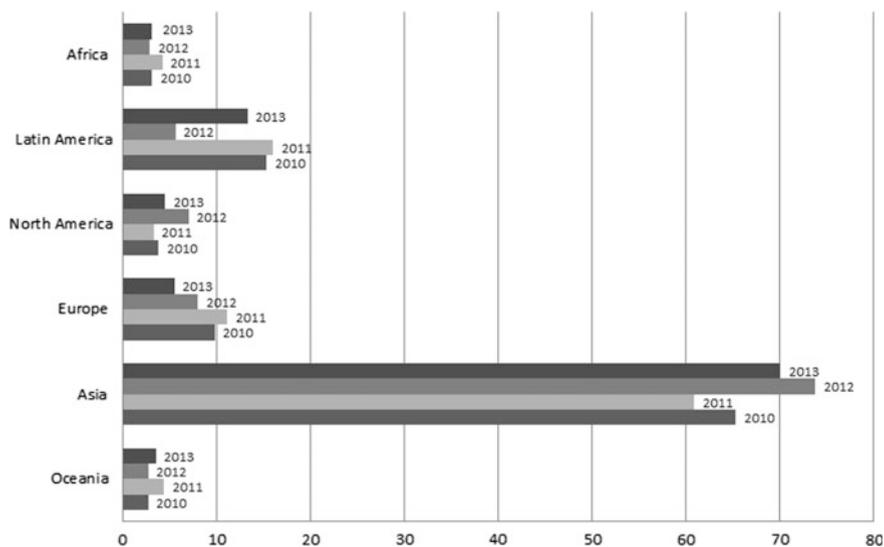


Fig. 17.1 China's foreign direct investment flows on every continent

Table 17.1 China's foreign direct investment flows, stocks, and the comparison with Oceania in 2005–2013

Year	Flows			Stock		
	Total	Oceania	Proportion (%)	Total	Only Oceania	Proportion (%)
2010	688.1	18.89	2.75	3172.1	86.07	2.71
2011	746.5	33.18	4.44	4247.8	120.07	2.83
2012	878	24.15	2.75	5319.4	151.1	2.84
2013	1078.4	36.61	3.39	6604.8	190.17	2.88

Data Source The Ministry of Commerce and the National Bureau of statistics of the People's Republic of China, the State Administration of foreign exchange [M], China Statistics Press

Table 17.2 China's foreign direct investment flows on every continent

Year	Proportion of flow(%)					
	Oceania	Asia	Europe	North America	Latin America	Africa
2010	2.7	65.3	9.8	3.8	15.3	3.1
2011	4.4	60.9	11.1	3.3	16	4.2
2012	2.7	73.8	8	7	5.6	2.9
2013	3.5	70.1	5.5	4.5	13.3	3.1

Data Source The Ministry of Commerce of and the National Bureau of statistics of the People's Republic of China, the State Administration of foreign exchange [M], China Statistics Press

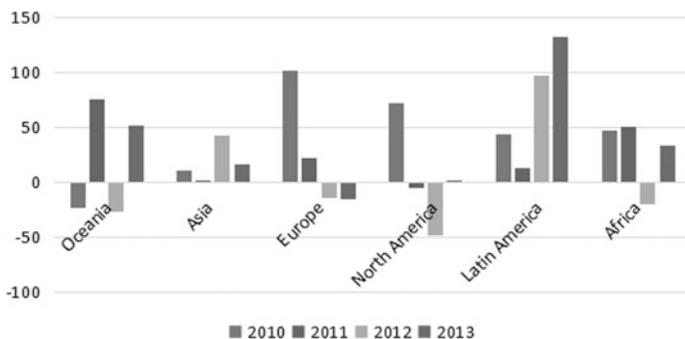


Fig. 17.2 The changes in the flow of continents

Table 17.3 The flow of each continent on year by year

Year	Flow on year by year(%)						
	Total	Oceania	Asia	Europe	North America	Latin America	Africa
2010	21.7	-23.8	11.1	101.6	72.2	43.8	46.8
2011	8.5	75.6	1.3	22.1	-5.3	13.3	50.4
2012	17.6	-27.3	42.4	-14.7	-48.3	96.9	-20.6
2013	22.8	51.6	16.7	-15.4	0.4	132.7	33.9

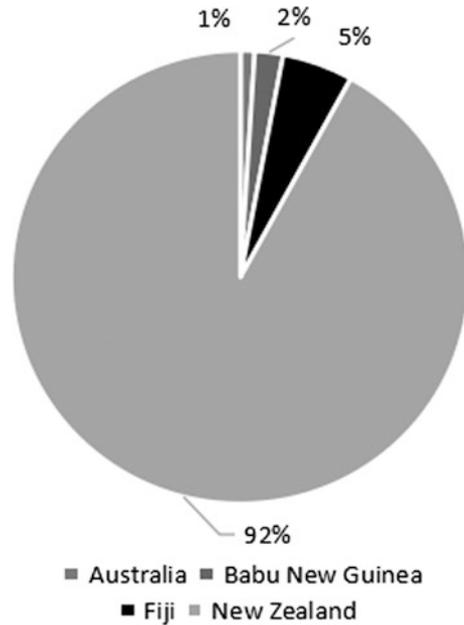
Data Source The Ministry of Commerce of and the National Bureau of statistics of the People’s Republic of China, the State Administration of foreign exchange [M], China Statistics Press

The figure shows the flow of each continent in the specific year on year of 2010–2013. Comparatively speaking, the traffic fluctuation in Oceania is more than the total fluctuation. This shows that the flow of investment in Oceania is influenced by external factors, and it is not stable.

17.2.2 Location Features: The Investment Distribution of the State Is More Concentrated, Especially in Australia, New Zealand

Although Oceania has 14 independent countries, 24 countries and regions, China’s investment in Oceania was quite concentrated. There were 4 major investment countries: Australia, New Zealand, Fiji and Papua New Guinea, and other countries and regions of the amount of investment almost negligible. In the above 4 countries, Australia and New Zealand’s investment flows accounted for the vast majority, which accounted for 92% of Australia and 5% of New Zealand (in 2013 data is quasi). Thus, China investment flows in Oceania were mainly concentrated in Australia and New Zealand. This was closely linked with their development of the

Fig. 17.3 The proportion of major national investment in Oceania in 2013



economic environment and open investment policies. So the two countries became China's prior choice of investment in Oceania, and became the most important investment countries. Especially in Australia, it had become one of China's most important and best foreign investment country (Fig. 17.3; Table 17.4).

17.2.3 Industry Features: Investment Mainly Concentrated in the Resources and Energy Industry

China investment in Oceania mainly concentrated on the resources and energy industry. Economic globalization brought about resource globalization, and then resource globalization expanded the scope and way of the international community to utilize mineral resources. At the same time, it also increased the international community for mineral resources. China investment in Oceania, especially in Australia, is based on the strategic considerations and carried out. Iron ore resources of Australia, non-ferrous metals, natural gas and other energy resources of New Zealand and other countries are the first choice for investment projects in Oceania. In addition, real estate, agriculture and animal husbandry industry has been the focus of China's investment in Oceania. In contrast, investment in other fields, such as manufacturing and high-tech industries, is relatively insufficient. Take Australia as an example (Table 17.5).

Table 17.4 China's foreign direct investment flows in Oceania in 2005–2012 (sub national) (Unit: \$10 thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Oceania	20,283	12,636	77,008	195,187	247,998	188,896	331,823	241,510	366,032
Australia	19,307	8760	53,159	189,215	243,643	170,170	361,529	271,289	345,798
Babu New Guinea	588	2862	19,681	2992	480	533	1665	2569	4302
Fiji	25	465	249	797	240	557	1963	6832	5832
The Cook Islands	–	–	–	–	–	–	–	12	17
The Republic of Marshall Island	–	200	3416	800	2670	1318	–2743	–	–1210
Federated States of Micronesia	16	–	625	–16	–	–	–289	341	46
Palau	–	–	50	752	–	50	57	–	–
Samoa	–	–	–12	–	63	9893	11,773	4759	–7793
Vanuatu	–	–	–	–	–	–	79	293	–
New Zealand	347	349	–160	646	902	6375	2789	9406	19,040

Data Source The Ministry of Commerce of and the National Bureau of statistics of the People's Republic of China, the State Administration of foreign exchange [M], China Statistics Press

Table 17.5 China's major industry investment in Australia in 2013 (Unit: \$10 thousand)

Industry	Flow	Proportion (%)	Stock	Proportion (%)
Mining Industry	209,530	60.6	1,139,014	65.3
Real Estate Industry	36,940	10.7	190,164	10.9
Financial Industry	8767	2.5	111,070	6.4
Leasing and Business Service	34,924	10.1	75,012	4.3
Wholesale and Retail Trade	27,644	8.0	65,678	3.8
Manufacturing Industry	7855	2.3	62,292	3.6
Agriculture, Forestry, Husbandry and Fishery	7594	2.2	28,307	1.6
Electricity, Heat, Gas and Water Production and Supply Industry	8267	2.4	23,942	1.4
Residents Service, Repair and Other Services	2036	0.6	14,244	0.8
Building Trade	1095	0.3	13,241	0.7
Scientific Research and Technical Services	111	–	10,102	0.6
Transportation, Warehousing and Postal Service	559	0.2	6635	0.4
Education	–	–	2865	0.1
Accommodation and Catering industry	420	0.1	2220	0.1
Other Industries	92	–	182	–
Total	345,798	100.0	1,744,968	100.0

Data Source The Ministry of Commerce of and the National Bureau of statistics of the People's Republic of China, the State Administration of foreign exchange [M], China Statistics Press

In China's direct investment of Australia, the largest proportion of the mining industry reached 60.6%. It also proves that Australia's mineral resources were the focus of China's investment. At the same time, it reflects China's demand for Australian resources. Relatively speaking, the other sectors of the investment and investment ratio are less than them.

17.2.4 Subject Feature: State-Owned Enterprises Take the Lead; Diversification Trend Has Enhanced

The main body of China's foreign direct investment has different between the developed countries and other developing countries, most of the investment body of the Chinese were state-owned enterprises, in particular, the investment in the field of resources and energy. A very clear example was in the top 100 list of China's multinational corporation, the oil and gas industry's investment in China has nearly one hundred percent companies. While China's investment in Oceania is mainly

Table 17.6 At the end of the 2013, the domestic investors situation by the type of registration

Type of industry and commerce registration	Number	Proportion (%)
Limited liability company	10,116	66.1
Private enterprise	1282	8.4
State-owned enterprise	1232	8.0
Stock limited company	1081	7.1
Joint stock cooperative enterprise	469	3.1
Foreign-invested enterprise	454	3.0
Hong Kong, Macao and Taiwan investment enterprise	311	2.0
Individual operation	106	0.7
Collective operation	92	0.6
Others	157	1.0
Total	15,300	100.0

Data Source The Ministry of Commerce of the People's Republic of China, the National Bureau of statistics of the People's Republic of China, the State Administration of foreign exchange [M], China Statistics Press

concentrated on the field of resources, energy industry, so the characteristics are more obvious. Basically in Oceania investment, as long as it was involved in a larger scale or resources and energy industry, the main investment was generally state-owned enterprises, or there were more state-owned capital holdings of hybrid enterprise (Table 17.6).

At the same time, from the perspective of the main body numbers of China's foreign direct investment, the number of state-owned enterprises was not the most, the proportion was not large, and the most was the type of Limited Liability Company. To the end of 2013, in the China's foreign investment enterprises, the state-owned enterprises accounted for 8.0%, and limited liability companies accounted for 66.1%, private enterprises was 8.4%, other types of enterprises such as foreign investment, Taiwan, Hong Kong and Macao funded enterprises, collective enterprises, the proportion of the number and stock were very small, and the main body of the investment was increasingly diverse.

17.2.5 Australian Investment Status

Australia is China's foreign direct investment in the largest single destination in addition to the United States. According to the data showed in 2013, Chinese enterprises investment stocks in Australia is about 17.4 billion dollars, most of them were in the resources industry. Australia's policy stance on the treatment of foreign direct investment, including China, was open, and foreign investment had long been recognized as a key role in the growth of the Australian economy, especially its resources industry (Table 17.7).

China's investment in Australia gradually transit to a diversified investment, and had initially formed a pattern of energy, mineral resources and real estate for the

Table 17.7 Australian investment flow situation

Year	Flows (million)			Stock (million)		
	Oceania	Australia	Proportion (%)	Oceania	Australia	Proportion (%)
2010	188,896	170,170	90.09	860,729	786,775	91.41
2011	331,823	316,529	95.39	1,200,744	1,104,125	91.95
2012	241,510	217,298	89.97	1,511,407	1,387,305	91.79
2013	366,032	345,798	94.47	1,901,712	1,744,968	91.76

Data Source The Ministry of Commerce and the National Bureau of statistics of the People's Republic of China, the State Administration of foreign exchange [M], China Statistics Press

leading industries, multi industry common development. This combination of investment greatly reduces the risk of country investment in Australia and protect the investment income. China's early investment in Australia was almost the energy industry. Although China's investment in the industry in recent years declined, it remains China's most important investment projects in Australia. This is determined by the highly complementary economies of China and Australia. Therefore, China's investment in Australia was gradually from centralized one to the diversified development, investment main flow mining industry, real estate and manufacturing industries, especially the real estate industry and manufacturing industry accounted for the proportion of significant growth. Mineral exploration development industry in general is a downward trend, and the decline is larger, 2010 and 2011, the amount of investment in the year of the Chinese investment in Australia only 65%. And the real estate industry and manufacturing share gradually increased, the real estate industry became China's second major investment projects in Australia. 2010 and 2011, there were more than 1/4 capital flows to the real estate industry. Investment in the manufacturing sector, although the size was still small, but always maintain a steady growth trend. In 2011, China's investment in the manufacturing sector is almost 10 times that of 2008. In addition to investment in the traditional industries, China and Australia in some emerging industries also had a lot of space for cooperation. Recently, the rapid development of China's investment in Australia is the renewable energy industry.

Australia's direct investment in China is more open and attractive. It is one of the biggest countries in China's foreign direct investment. Although Australia is a relatively small economy, but it is still possible for a period of time, continue to become one of China's largest investment destinations.

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Chapter 18

Chinese Investment in South America

The investment situation, problem and countermeasures of the main counties in South America

In the process of China's "go-out strategy", China continue to increase foreign investment. The Middle East, central Asia, Africa are the main investment districts, because South America is distant, the investment to there is comparatively less than other place. However, in recent years, China has put more strength to South America. The investment to the South American market has been significantly increased; Greely group, Geely automobile, etc. have been entering to the market of the South America (Tables 18.1 and 18.2).

Investment industries still give priority to leasing, business services and mining industry, and investment in construction, manufacturing has increased. South America is rich in natural resources, so mining industry is China's main investment industry to South American. In recent years, the investment industry extends form mining industry to leasing and business services, finance, wholesale and retail and other industries.

The following will analyze the present situation, problems and countermeasures of the investment of several major countries in South America.

18.1 Brazil

18.1.1 The Current Situation of Investment in Brazil

18.1.1.1 The Amount of Foreign Investment That Brazil Has Absorbed

According to "world investment report" released in 2014 by the UNCTAD, in 2013 the amount of foreign capital flow that Brazil has absorbed was \$64.05 billion;

Table 18.1 Chinese net direct investment volume in Latin America (US\$ million)

Year	2013	2012	2011	2010	2009	2008	2007
Volume	1,435,895	616,974	1,193,582	1,053,827	732,790	367,725	490,241

Data Source National Bureau of Statistics, Statistical Database of the People's Republic of China

Table 18.2 Chinese direct investment flow to the South American country in 2013

Amount Range	Inflow country
100 million–1 billion dollars	Ecuador, Venezuela, Brazil, Peru, Argentina
10 million–100 million	Colombia, Guyana, Chile, Bolivia
Lower than 10 million	Jamaica, Nicaragua, Paraguay, Cuba, Uruguay

Data Source Ministry of Commerce, National Bureau of Statistics, the State Administration of Foreign Exchange, “2013 Annual Statistical Bulletin of China’s Foreign Direct Investment”

Table 18.3 Chinese contracted projects and labor service cooperation situation in Brazil from 2008 to 2013

Brazil	Contract project			Labor-service cooperation	
	Complete turnover (million)	Dispatch number	The number of people	Dispatch number	The number of people
2008	–	–	–	–	–
2009	111,156	–	–	–	–
2010	101,997	–	–	–	–
2011	143,868	137	500	96	123
2012	164,606	377	657	48	75

Data Source National Bureau of Statistics, Statistical Yearbook

by the end of 2013, the amount of foreign capital stock of Brazil’s absorption is \$724.64 billion (Table 18.3).

18.1.1.2 Contractual Service

According to China’s ministry of commerce statistics, in 2013, the amount of new contract project that China’s enterprises has signed was 220, the amount was \$2.816 billion, the amount of turnover was \$1.882 billion; the amount of the labor that totally sent was 477 people, at the end of the year, the amount was 487.

18.1.2 Brazil's Policy on the Cooperation and Investment with China's Enterprises

18.1.2.1 China and Brazil Signed Bilateral Investment Agreement

In April of 1994, China and Brazil's government signed the "the agreements on encouraging and mutual protection of investment", but that agreement is the same as the Brazilian government's other investment protection agreement, Brazil's parliament did not admit that.

18.1.2.2 China and Brazil Signed a Tax Agreement

In the August of 1991, China and Brazil's government signed the "the government of the People's Republic of China and the government of the administrative republic of Brazil's agreement on the avoidance of double taxation and preventing tax evasion".

18.1.2.3 Other Agreements Signed Between China and Brazil

The Chinese government and the Brazilian government signed a bilateral trade agreement in January 1978, in the May of 1984, the two governments signed trade agreement supplement agreement.

In 2006, the two countries signed "the government of the People's Republic of China and the government of the administrative republic of Brazil's Suggestions on strengthening infrastructure project cooperation agreement".

In addition, two countries also signed "the People's Republic of China government and government of the administrative republic of Brazil's agreement on the animal quarantine and animal health cooperation", scientific and technological cooperation agreement, cultural education cooperation agreement, shipping, etc.

18.1.3 The Typical Cases of China's Enterprises Increase Investment in Brazil

China's enterprises increased investment in Brazil. Recently the successful bid on oil fields of large-scale enterprises in South America was a reflection of this trend. It was an important signal that the Chinese enterprises increased investment in South America. According to Chinese news reports, on October 21, 2013 in Rio DE Janine, an offshore oil field held bidding for the exploration right; finally, Petrochemical, CNOOC, Total and Shell four companies win that bid.

China National Petroleum Corporation and China National Offshore Oil were Chinese leading companies of resource development. Both of them belong to the large central enterprises. In the October of 2013, at southeastern Brazil sea area, a deep sea salt block bid lower Libra is on their hand. The block was the largest offshore oilfield of the world. The well-known overseas bidding companies were very famous, such as Brazil Perpetrators, Shell Group of Companies, France's Total and other 11 international oil companies. Two oil companies eventually won that bid. According to the relevant agencies estimate, the first bidding needs the bidder to invest 40 billion raise (US\$185 billion), co-management rights is 35 years including a 12–15 offshore oil platforms. Such a large scale of investment would be the most of the investment scale of Chinese enterprises overseas oil drilling and exploitation of new oil storage. It also reflected the strategic intent of Chinese oil companies in South America development.¹

Brazilian company COSCO was the China Ocean Shipping Company-owned enterprise in Brazil. It founded in June 8, 1994; the company set headquartered in Sao Paulo, and had offices in the port of Santos. OSCO Brazil had a total of 30 employees; all managers have received professional education, and has a rich working experience. The company mainly engaged in the business of COSCO ship and cargo agency business, run by air, NVOCC and inland transportation business.

In recent years, OSCO Group has nearly 100 ships and bulk cargo ship arrives in port operations in Brazil each year, the annual handling capacity is more than 3 million tons; OSCO Group, COSCO Container Transport Co, Ltd. Joined venture with Evergreen Far East to South Africa, South East weekly container route. Import and export volume of COSCO Far East carrier to Brazil every year is about 22,000 containers, accounting for the route of the total volume of 20%. China Ocean Shipping (Group) Corporation for the bilateral trade between China and Brazil has made its own contribution. Brazilian company COSCO was awarded in the "Brazil–China best Enterprise" by Pakistan Chamber of Commerce in 2001. The second half of 2013, China Construction Bank invested \$720 million make an acquisition of 72% stake in Industrial and Commercial Bank of Brazil, which both affected the development of the local industry, but also the results of the China's "going out" enterprises' comprehensive ability of improvement.

¹Yuhang Xian Why Chinese enterprises increase mining investments in South America. *Entrepreneurs daily* [J], (2013) (10).

18.2 Argentina

18.2.1 Situation of Chinese Investment in Argentina

According to the UNCTAD released the 2014 “World Investment Report” shows that in 2013, Argentina attracted foreign investment flow was \$9.08 billion; at the end of 2013, the Argentina foreign investment stock was \$112.35 billion.

18.2.2 Argentina Policy for Chinese Enterprises to Invest in Cooperation

18.2.2.1 China and Argentina Signed a Bilateral Investment Protection Agreement

In November 5, 1992, China and Argentina signed the “Government of People’s Republic of China and the Government of the Republic of Argentina on the Promotion and Reciprocal Protection of Investment.”

18.2.2.2 China and Argentina Signed the Avoidance of Double Taxation Agreement

China and Argentina signed the mutual exemption of the international transportation income tax agreements (shipping), eliminating the income tax and indirect taxes related taxes.

18.2.2.3 Other Related Protection Policy

In May 2011, the Chinese Ministry of Commerce and the Argentina Ministry of Foreign Affairs signed the “People’s Republic of China Ministry of Commerce, Investment Promotion Bureau and the Secretariat of State for Foreign Affairs of Argentina, International Trade and Religious Affairs, Ministry of Trade and International Economic Relations to promotion two-way investment MOU.”

In June 2012, signed the “Government of People’s Republic of China and the Government of the Republic of Argentina Joint Declaration.”

In December 2012, signed the “Government of People’s Republic of China and the Government of the Republic of Argentina on the facilitation of visa procedures for business people agreement.”

18.2.3 Typical Chinese Enterprises to Invest in Argentina

In Argentina capital Buenos Aries Port Terminal, one can often see a large number of stacked containers, marked with the words “COSCO”, accounting for more than half of the total number of the container terminal.

COSCO Argentina Marine Corp. is the first Chinese-funded enterprises entered Argentina, in September 1995 the operation has been incorporated in Argentina. The company employees 24 people, including the chairman and financial managers for the expatriates, the remaining 22 employees are recruited locally in Argentina.

“Since COSCO entered Argentina, it has no local ocean shipping fleet and company, and the COSCO provides the largest shipping fleet, provides a platform for import and export trade in Argentina, and can be said to have become the lifeblood of the Argentina ocean freight”, the chairman Zhao Deng said with pride about the company’s current market position.

Zhao Deng said that the reasons of the rapid growth of shipping company COSCO Argentina were, on the one hand, thanks to the booming Chinese maritime industry led the company to expand overseas, the economic advantages of the home country of the company is an important basis of “going out”; on the other hand, the localization of management and corporate social responsibility are the keys of the rapid growth of the company.

According to reports, when the Argentina shipping company COSCO recruiting staff, they are not only in accordance with local laws and regulations to sign labor contracts with them at the local, but also provide them with pensions and health insurance and so on, in addition to promise of a rose with 20% each year of the salary.

18.3 Peru

18.3.1 The Situation of Chinese Investment in Peru

18.3.1.1 Peru Absorb Foreign Investment

According to UNCTAD released the 2014 “World Investment Report”, it shows that in 2013 Peru attracted foreign direct investment (FDI) 101.7 billion US dollars, as to the end of 2013, the stock of foreign investment in Peru was \$73.62 billion. The top ten countries of foreign investment were Spain, the United Kingdom, the United States, the Netherlands, Chile, Brazil, Colombia, Panama, Canada and Mexico. Among them, the former three countries to attract direct investment accounts for Peru 52.8% of total investment.

18.3.2 The Policy of Peru for Chinese Enterprises to Invest in Cooperation

18.3.2.1 China and Peru Signed a Bilateral Investment Protection Agreement

In June 9, 1994, China and Peru signed the “Government of People’s Republic of China and the Government of the Public of Peru on the Encouragement and Reciprocal Protection of Investment Agreement”, the agreement with effect from February 1, 1995, valid for 10 years, may be renewed.

18.3.2.2 Other Agreement Signed Between China and Peru

On April 28, 2009, China and Peru signed a free trade deal with China—Peru agreement, which goes into effect on March 1, 2010. This content of the agreement are mainly as follows: in terms of investment, giving each other investors and investment for access to national treatment, the most-favor-nation treatment and fair treatment; encouraging bilateral investment and providing convenience for it, and the regulations except for the public interest and should not be conducted through legal procedure, once the investor compensation shall, it should be in accordance with the fair market value; guaranteeing the freedom of investment and income remitted; establishing with investors—the host country of arbitration of investment disputes settlement mechanism.

18.3.2.3 Other Related Protection Policy

In November 1988, China and Peru signed a government of the People’s Republic of China and the government of the republic of Peru economic and technological cooperation agreement.

In March of 2008, China and Peru signed a law of the People’s Republic of China and the republic of Peru about civil and commercial judicial assistance treaty.

On May 24, 2011, the government of the People’s Republic of China and the government of the republic of Peru economic and technological cooperation agreement signing ceremony was held in Peru international cooperation within the department.

18.3.3 Typical Chinese Enterprises for Peru Investment

By the end of 2013, the Chinese enterprises accumulative total investment up to \$6 billion, Chinese investment in Peru, become one of the main investor for mineral

field in Peru. The number of Chinese companies in Peru has more than 100; bilateral investment cooperation has fruitful results. The super large copper project, Toromocho, in December 2013 completed and put into trial production on schedule, it was the biggest mining investment projects of the built in recent years; CNPC and Brazil gas made a deal that amount of mergers and acquisitions were about \$2.6 billion, and it was the new records of the merger and acquisition. Shougang Corporation iron expands in Peru. SINOHYDRO implemented the water supply and drainage project in Iquitos. CHINA SFECO GROUP constructed HUANZA hydro power station progressed smoothly; the project was currently in its phase-out period. With the two governments jointly promoting the water transportation infrastructure construction and housing, which became a new hot spot of investment cooperation, etc.

18.4 Chile

18.4.1 China's Investment in Chile

18.4.1.1 Chile to Absorb Foreign Investment

According to the committee on foreign investment in Chile, Chile to absorb foreign capital of \$20.258 billion, 2013 more than Brazil becomes a Latin American country with the largest number of drawing foreign capital. Chile to absorb foreign capital relatively concentrated were a mainly includes mining energy financial services communications infrastructure, etc. In 2013, the main national investment as follows: Japan (\$2.524 billion), United States (\$1.915 billion), Canada (\$982 million), Colombia (\$629 million), UK (\$424 million), Brazil (\$0.83 million), panama (\$0.49 million), Australia (\$5.61 million), Spain (\$0.50 million).

According to united world investment report released in 2014, Chile's absorption of foreign capital flow of \$20.26 billion in 2013; by the end of 2013, Chile's absorption of foreign capital stock for \$215.45 billion.

18.4.1.2 The Protection of Chinese Enterprise Investment Cooperation of Chile's Policy

On March 23, 1994, signing by the government of the People's Republic of China and the government of the republic of Chile on encouragement and protection of investment agreement each other.

18.4.1.3 Typical of Chile Investment Enterprises in China

Chile mercury news reported, Unilever PLC invested \$25 million on a new ice cream factory for the first time in 10 years in Chile's San Bernardo, producing Brewster ice cream. The manager of Unilever PLC Sebastian Vodka said, the investment improved Brewster brand ice cream process capacity by 50%, exceeding trendy as the world's second largest ice cream brand in five years, and claiming will gradually increase investment to \$125 million in Chile used for modification of the existing three processing stores. The first is Savory, then Trendy.

18.5 Other Countries in South America

18.5.1 Ecuador

Recently, the government of Ecuador realizes the importance of infrastructure development such as roads, ports, the power plant and telecommunications. Oil is a project that related with the promotion of the economic development in this country that has a trend of increasing foreign investment. The main investments are the oil industry, the mining industry the manufacturing industry machine food and beverage industry, wood including related products the trade and tourism etc. More than 20 Chinese companies in Ecuador related to the energy, mining, contracted work, telecommunications, financial services, train, bridges and other infrastructure to the cement production, the trade and production, there is cooperation in technology, fishery and agriculture is the main of investment. The value is more than \$2,200,000,000. Ecuador became the country in South America that is the target of the largest investment of China (Table 18.4).

Table 18.4 2008–2013 the situation of China's cooperation with Ecuador, the project contractor engineering and labor

Ecuador	Contract project			Labor-service cooperation	
	Complete turnover (million)	Dispatch number	Complete turnover (million)	Dispatch number	Complete turnover (million)
2008	10,754	–	–	–	–
2009	22,247	–	–	–	–
2010	21,886	–	–	–	–
2011	53,853	537	653	–	2
2012	160,815	3396	3056	117	108

Data Source National Bureau of Statistics, Statistical Yearbook

Table 18.5 2008–2013 China’s contracted projects in Colombia situation

Colombia	Contract project		
	Complete turnover (million)	Dispatch number	Complete turnover (million)
2008	10,532	–	–
2009	6928	–	–
2010	8093	–	–
2011	8567	227	201
2012	41,643	204	281
2013	23,559	55	227

Data Source National Bureau of Statistics Yearbook

18.5.2 Colombia

In Ten years, Columbia has been successful in attracting foreign investment. South America is an important area to invest directly from foreign. Oil industry and minerals of Colombia influence of other counties to investment. Financial, the manufacturing, business and industry of the construction are going on. Important projects for China’s investment cooperation in the region include: Sino Indian joint venture of holy energy project, Sinopec oil blocks the acquisition of the U.S. company HUPECOL project, petroleum development project of Columbia Emerald company, Jincheng Motorcycle Group, HUAWEI Technologies Co. Ltd. Columbia Telecom Construction Project, the Sinopec Group International Petroleum Engineering Limited construction of drilling and work over increased to renew the new contract amount (Table 18.5).

18.5.3 Venezuela

Venezuela is China’s largest engineering contracting market in South America, at of the end of 2010, China’s labor contract signed in Venezuela, the contract amount of foreign contracted projects up to \$20 billion 800 million. With the gradual deepening of bilateral cooperation, China and Venezuela in the fields of finance, technology and telecommunications, and other areas of economic and trade cooperation continues to strengthen (Table 18.6).

Table 18.6 2008–2013 years of China’s cooperation on contracting projects and labor services in Venezuela

Venezuela	Contract project			Labor-service cooperation	
	Complete turnover (million)	Dispatch number	Complete turnover (million)	Dispatch number	Complete turnover (million)
2008	77,418	–	–	–	–
2009	92,847	–	–	–	–
2010	347,961	–	–	–	–
2012	515,259	3241	4583	78	127
2013	596,708	4384	6570	452	531

Data Source National Bureau of Statistics Yearbook

18.5.4 Guyana

Guyana is a heavily indebted poor countries of South American and least developed. The government of Guyana encourage foreign investors to invest in Guyana; preferential policy treatment for investment to promote industrial development projects, the project of the foreign investment is mainly concentrated in the service industry, agriculture and light manufacturing. For Chines enterprises in Guyana’s investment environment, the main advantages are: political stability, and long-term friendly relations with China, the economic growth prospects are good; the resources are rich, and the reserves are large, the geographical position is superior (Table 18.7).

Table 18.7 China Guyana contract and labor cooperation in 2008–2013

Guyana	Contract project		
	Complete turnover (million)	Dispatch number	Complete turnover (million)
2008	932	–	–
2009	1395	–	–
2011	2411	35	126
2012	1798	122	248
2013	4588	171	293

Data Source National Bureau of Statistics Yearbook

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