

China, the EU and direct investment: What is at stake?

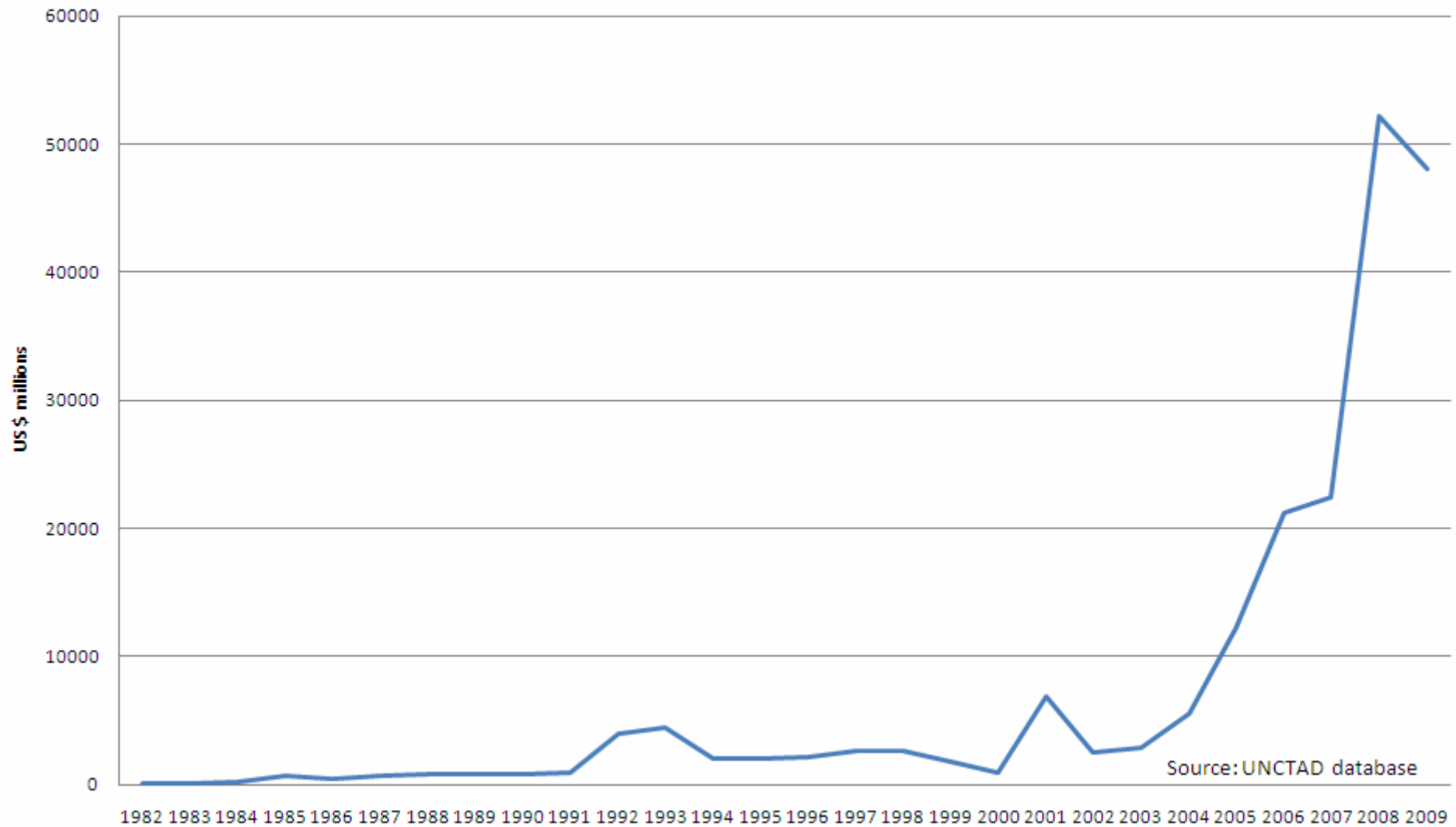
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Centre d'Analyse Stratégique, May 23, 2011



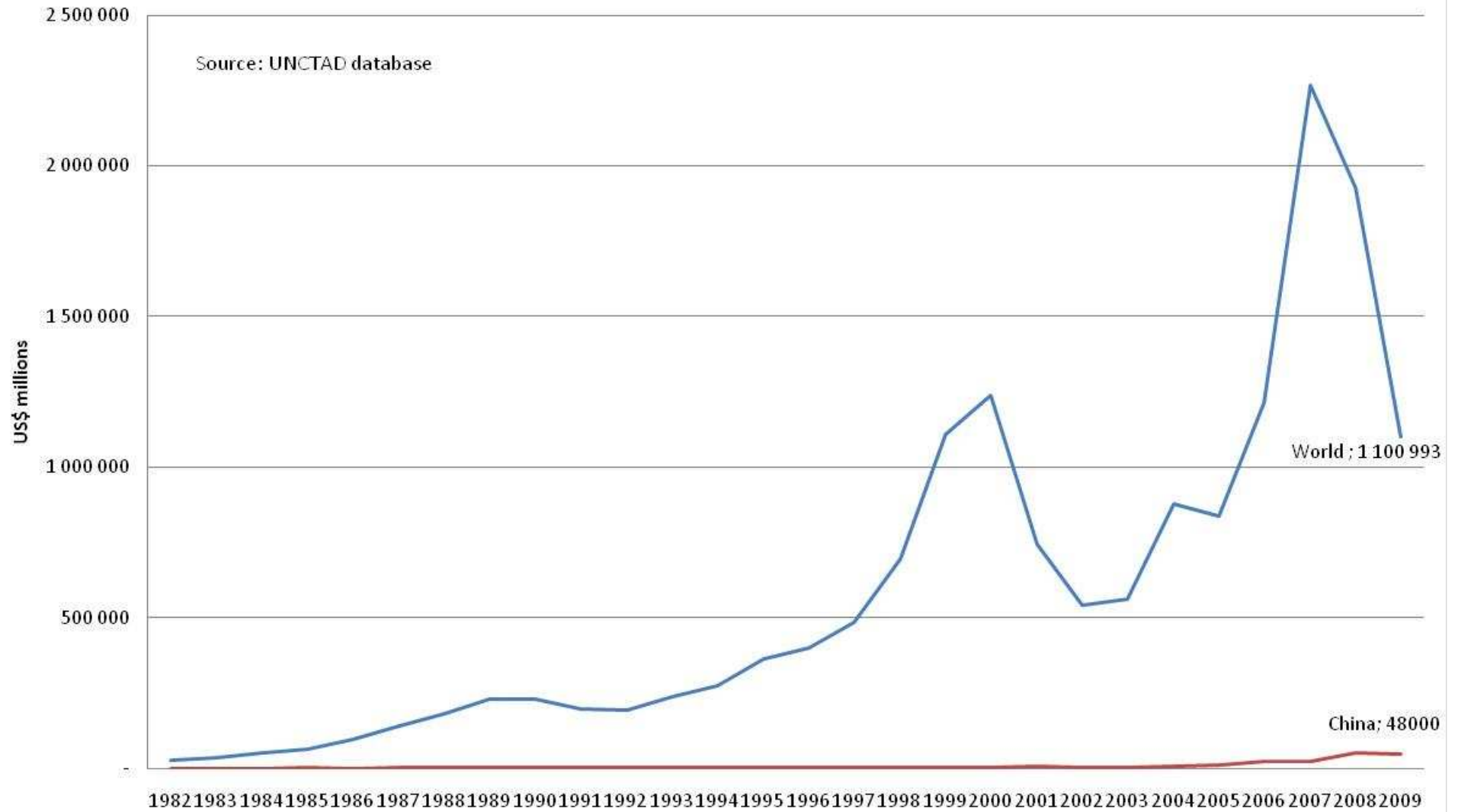
Keeping things in perspective

Chinese Outward Direct Investment, 1982 - 2009



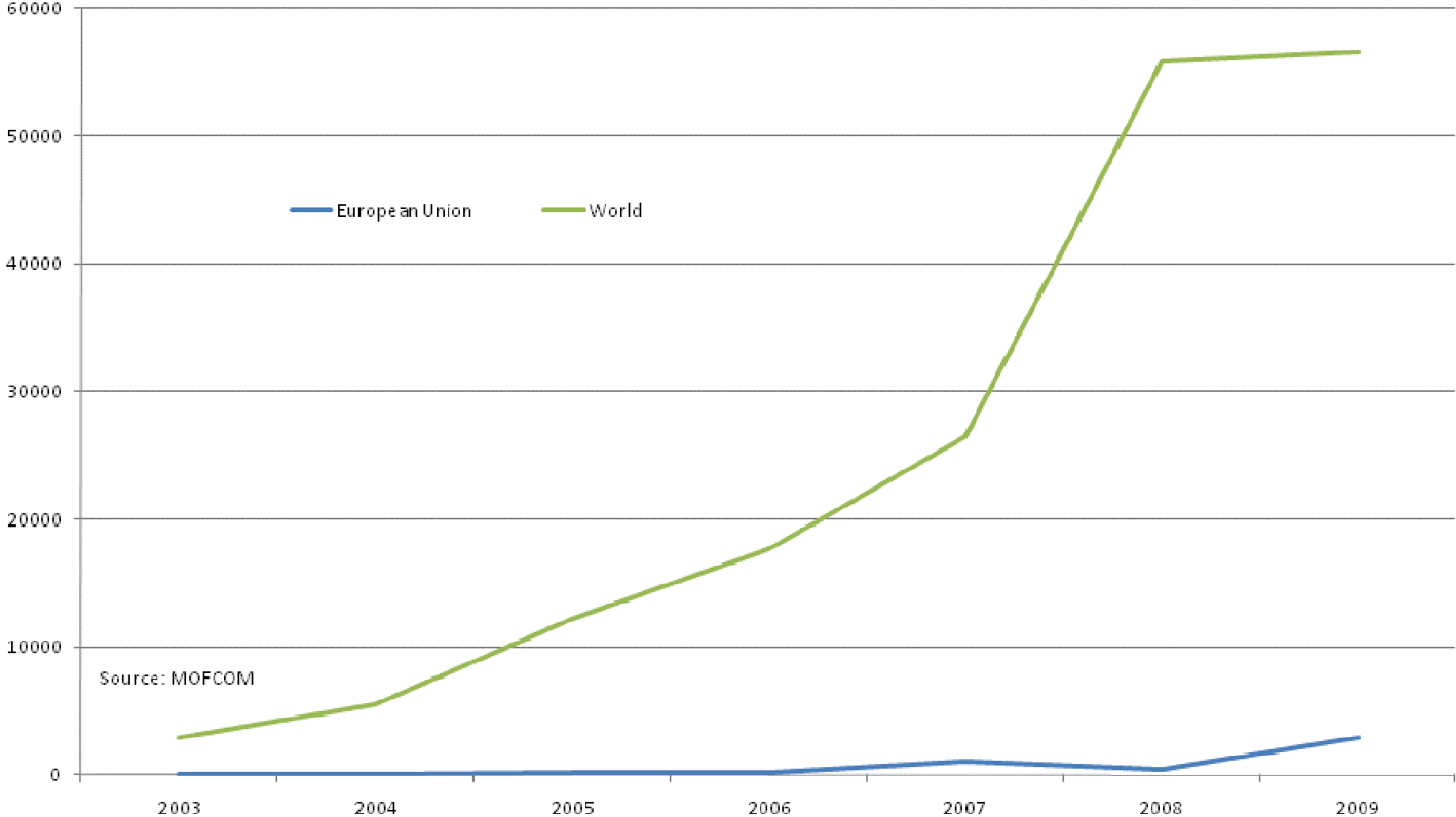
Global and Chinese ODI, 1982 - 2009

Source: UNCTAD database



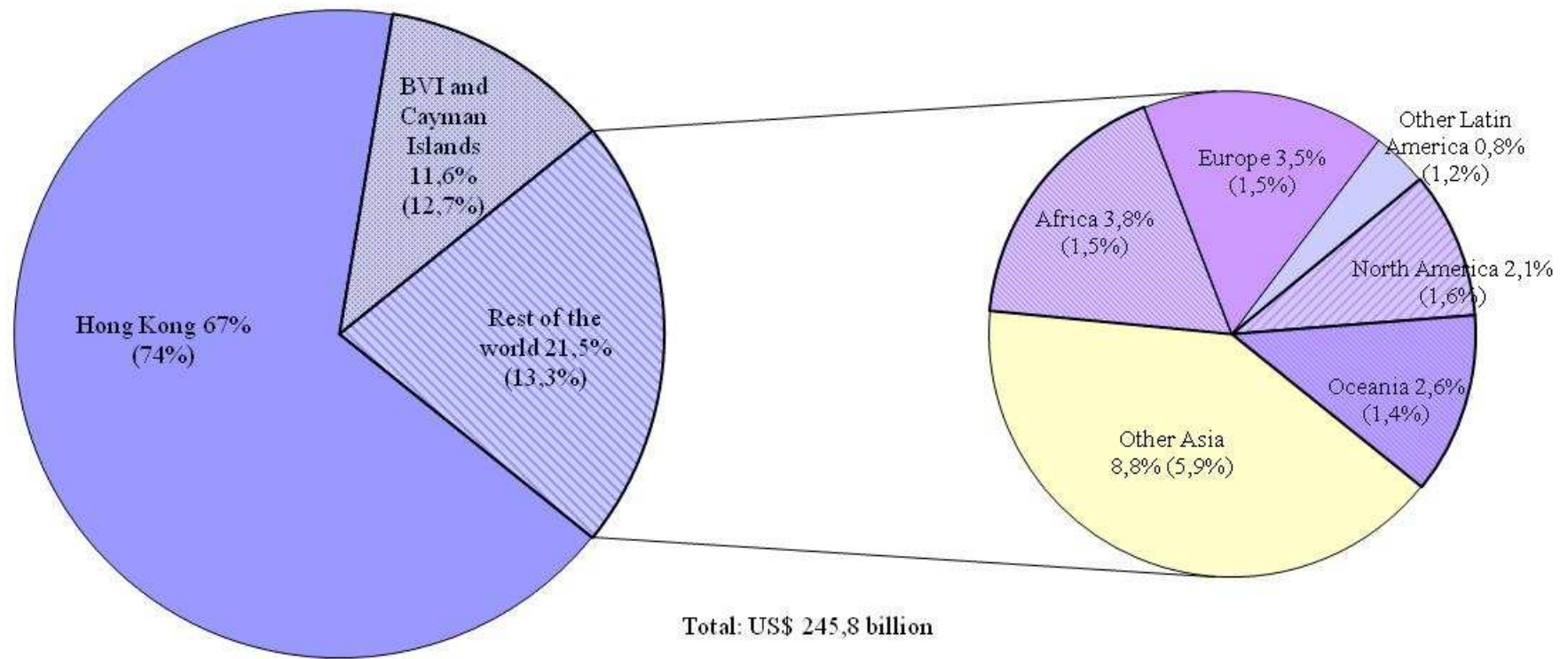
Chinese ODI flows, 2003 - 2009

US\$ millions



Source: MOFCOM

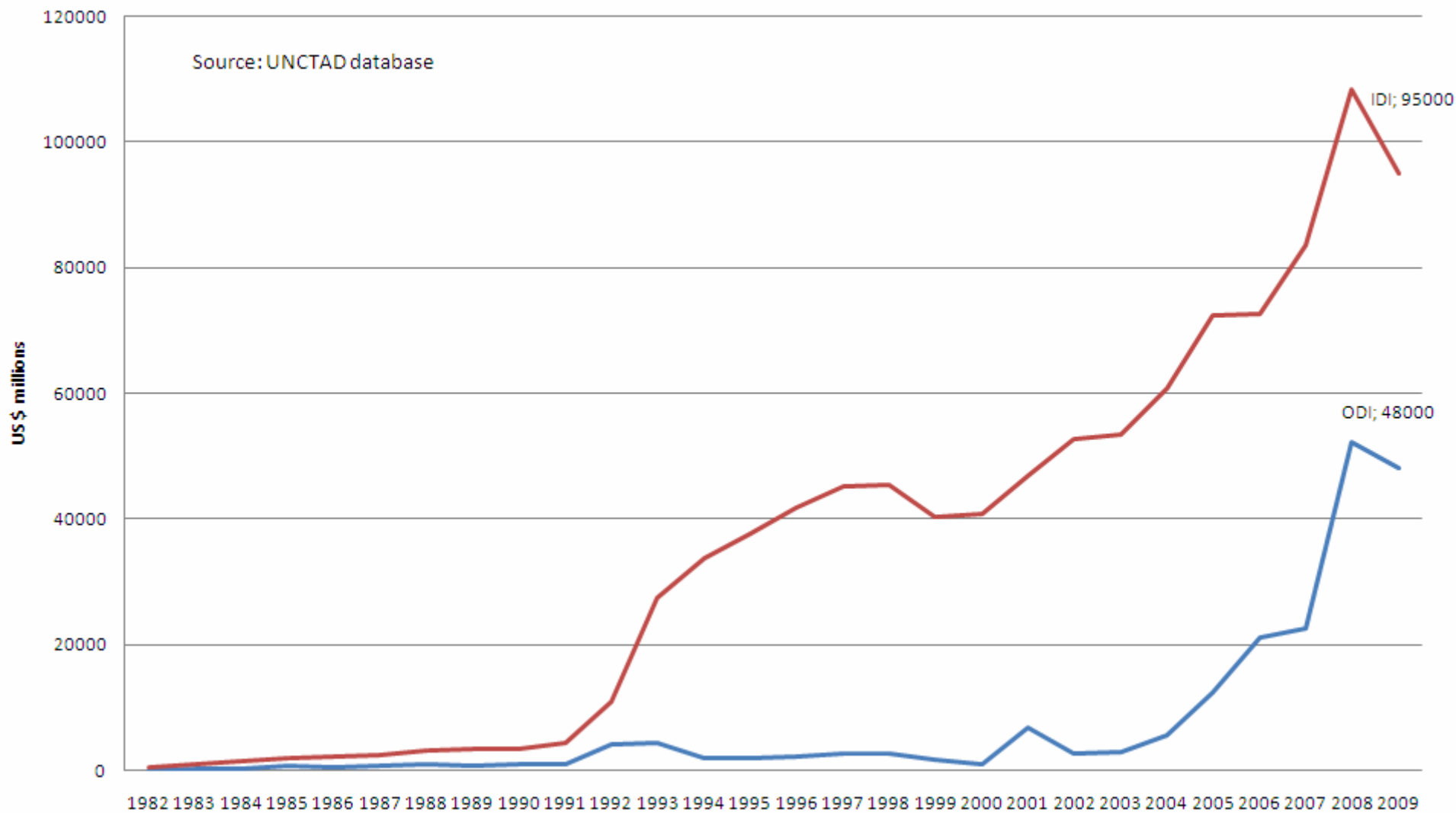
Chinese Outward FDI Stock by regions, 2009 (non-finance part)



Source: MOFCOM, 2009 Statistical Bulletin of China's Outward Foreign Direct Investment, Beijing 2010.

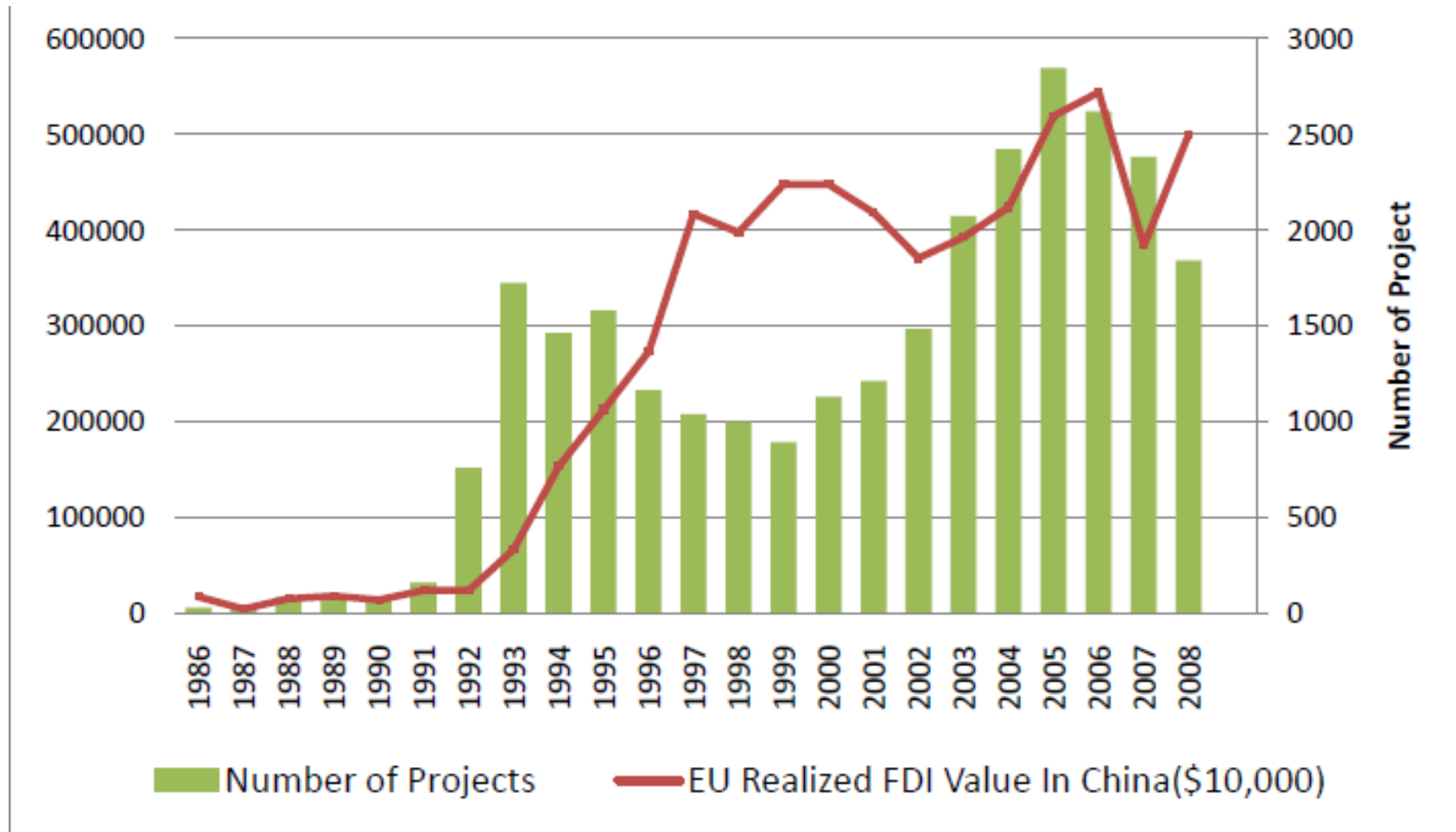
Chinese ODI stock into Europe (US\$ millions)				
	2003	2005	2007	2009
Europe	487,45	1272,93	4458,54	8678,8
<i>EU</i>	425,81	768,01	2942,1	6277,83
United Kingdom	75,15	107,97	950,31	1028,3
Germany	83,61	268,35	845,41	1082,2
Spain	101,81	130,12	142,85	205,2
Netherlands	5,9	14,85	138,76	335,9
Italy	19,18	21,6	127,13	191,7
France	13,12	33,82	126,81	221,1
Other EU	88,2	132,3	336,5	366,4
New Member States	38,83	59	274,36	362,7
Luxemburg	n.a.	n.a.	n.a.	2484,38
<i>Memorandum items</i>				
Russia	61,64	465,57	1421,51	2220,4
Other Europe	0	39,35	94,93	180,57
Source: Mofcom				

Chinese outward and inward direct investment, 1982 - 2009



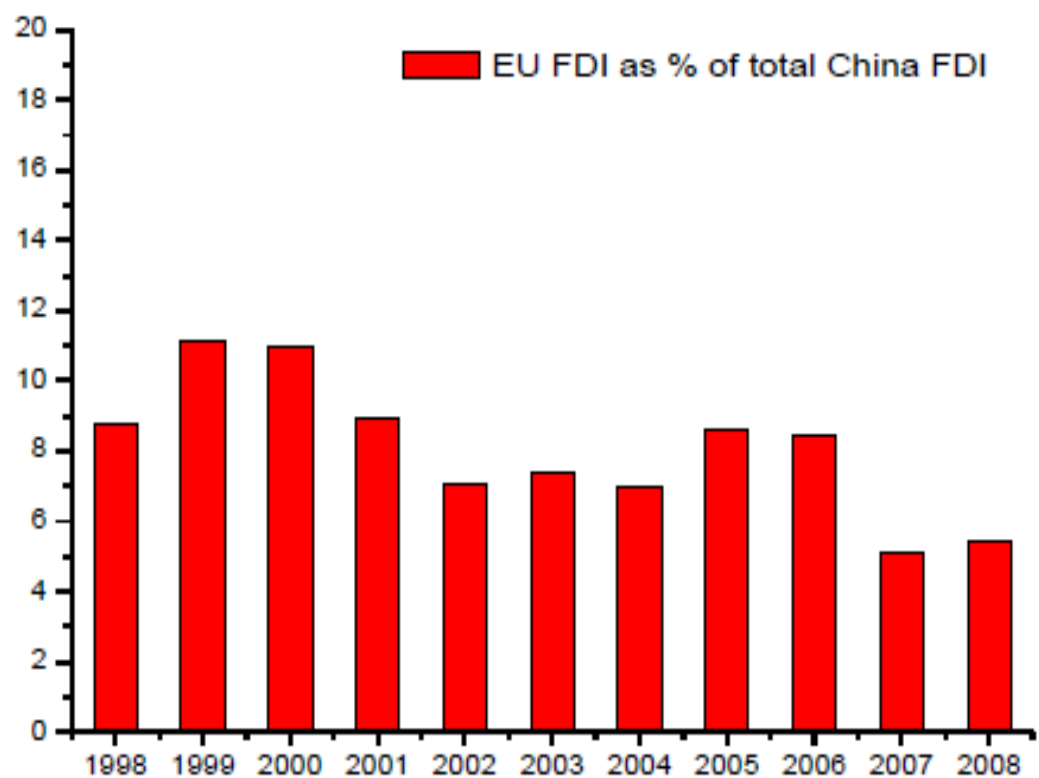
US\$ 10,000


EU realized FDI in China, 1986 - 2008



Source: MOFCOM

Figure A2: Percentage of EU FDI in Total FDI in China 1998-2008 (Source: MOFTEC)





On the links between direct
investment and technology transfers
- Some qualifications



Inward FDI into China

- Often perceived as a means of acquiring skills and technology
- Technology-seeking dimension of government policies found increasingly important over time (i.e. changes in the catalogues)
- But key issue is the absorptive capacity
- Restricted access to a number of sectors is more of an issue



ODI from China (1)

- Often perceived as an alternative means of acquiring skills and technology
- But why should it deliver better results than inward direct investment?
- Also, technology-seeking motivations less important than often thought, even in industrial economies and Chinese ODI can offer win-win opportunities

ODI from China (2)

- Two-fold risk associated with « go global policy »:
 - misallocation of capital within the Chinese economy (« strategic » SOEs favored at the expense of other, mainly private, firms),
 - and misallocation of capital between domestic and foreign investment (facilitation of foreign investment but without proper due diligence)



Key messages

- Ensuring a level playing field for all investors in China
- Need to make progress in related areas: public procurement, IPR protection, etc.
- Need to maintain the EU market open (avoid negative reciprocity)