



Chinese Companies' OFDI – Implication for Policy and Business

Kenny Zhang

June 17, 2010, UBC, Vancouver

Asia Pacific
Foundation
of Canada

Fondation
Asie Pacifique
du Canada



Outline

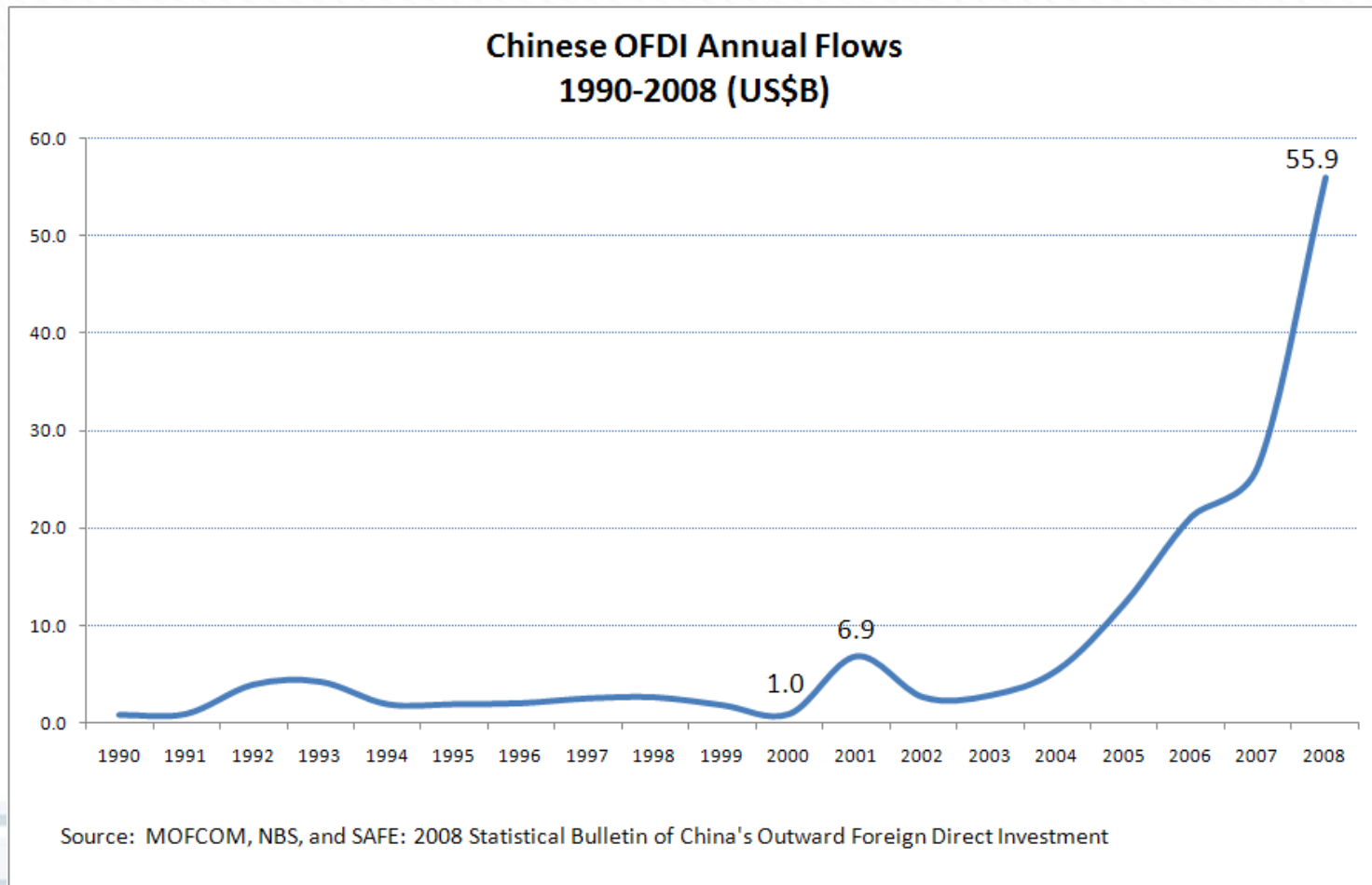
- Brief Overview of Chinese OFDI
- Chinese OFDI to Canada
- Chinese OFDI Stories in Canada
- Conclusion

Chinese OFDI Overview: 2008

- Investing entities: 8,500
- Overseas enterprises: 12,000
- Countries invested: 174 countries (regions)
- OFDI flows: US\$55.91 B, increasing by 111% y-o-y.
- OFDI stock volume: US\$ 183.97 billion
- Total assets of overseas enterprises: US\$1 T

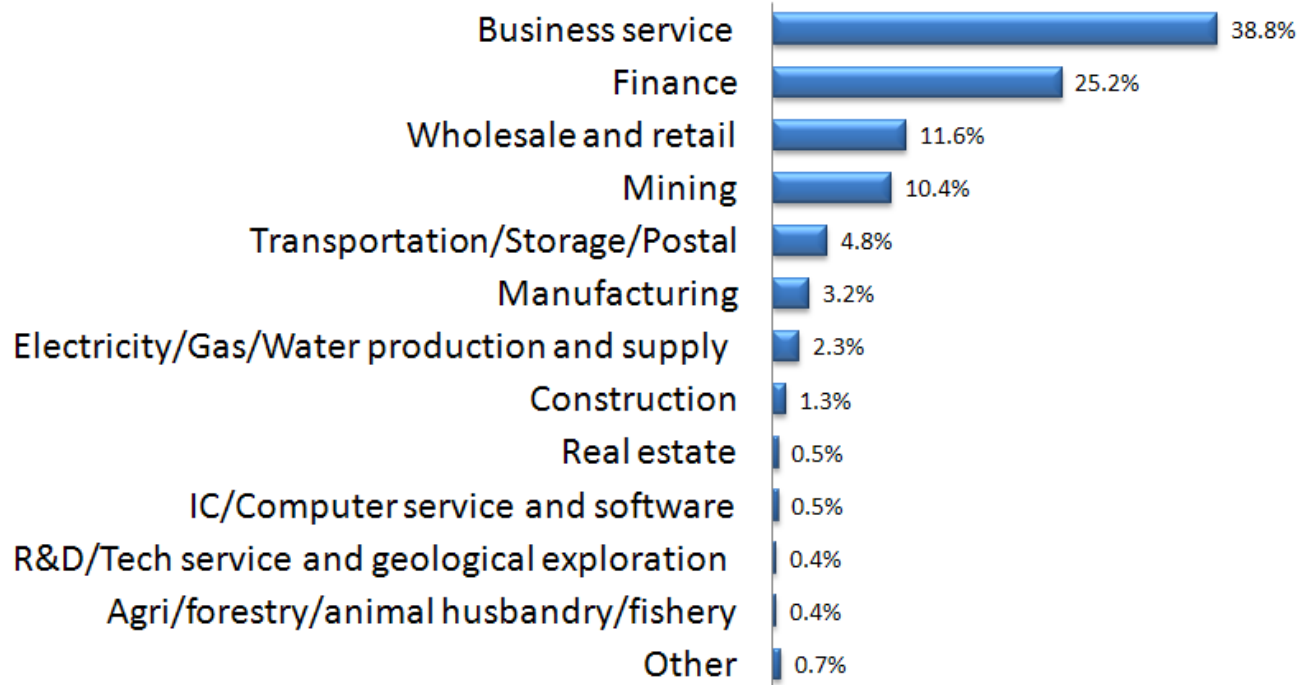


Chinese OFDI is accelerating ...



Business interest is more on service sectors ...

Sectoral Distribution of Chinese OFDI: 2008



Source: MOFCOM, NBS, and SAFE: 2008 Statistical Bulletin of China's Outward Foreign Direct Investment

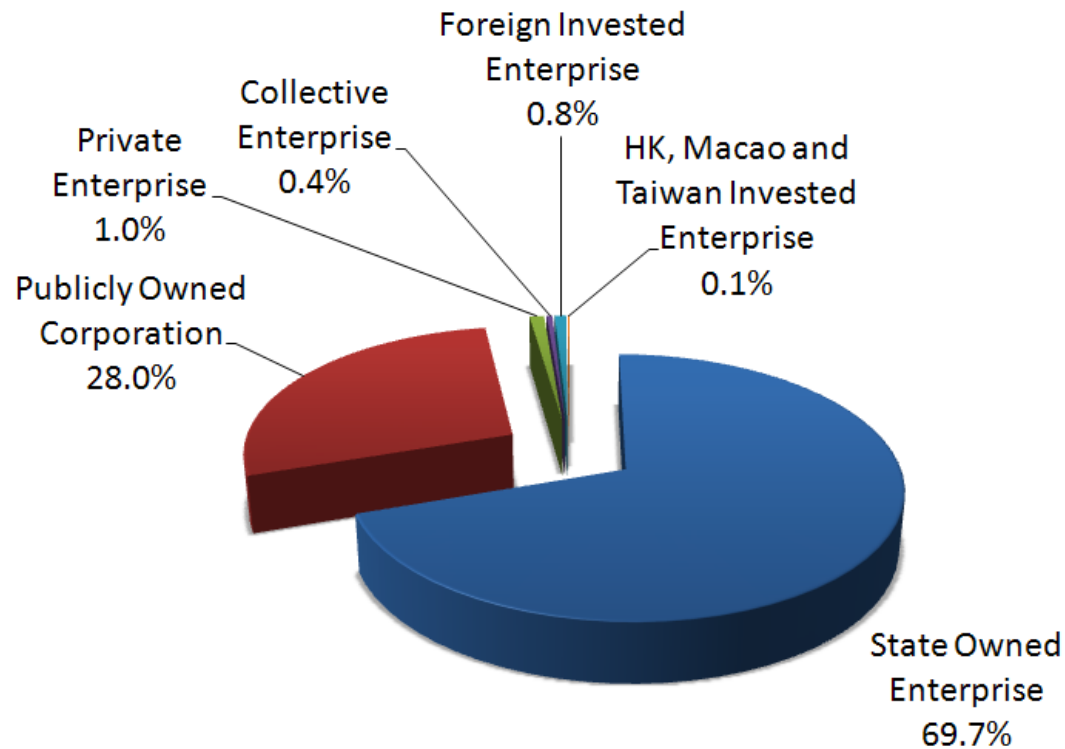
Highly Targeted Destinations: 2008

Top Destinations	Amount (US\$B)	Share (%)	Major Sector
Hong Kong SAR	38.6	69.1	Business service, wholesale and retail
South Africa	4.8	8.6	Banking, business service, wholesale and retail
British Virgin Islands	2.1	3.8	Business service
Australia	1.9	3.4	Mining, wholesale and retail
Singapore	1.6	2.8	Electricity/gas/water production and supply, business service
Cayman Islands	1.5	2.7	Business service
Subtotal	50.5	90.4	

Source: MOFCOM, NBS, and SAFE: 2008 Statistical Bulletin of China's Outward Foreign Direct Investment

SOEs are major players ...

Type of Non-Financial Companies Invested Overseas by Stock: 2008

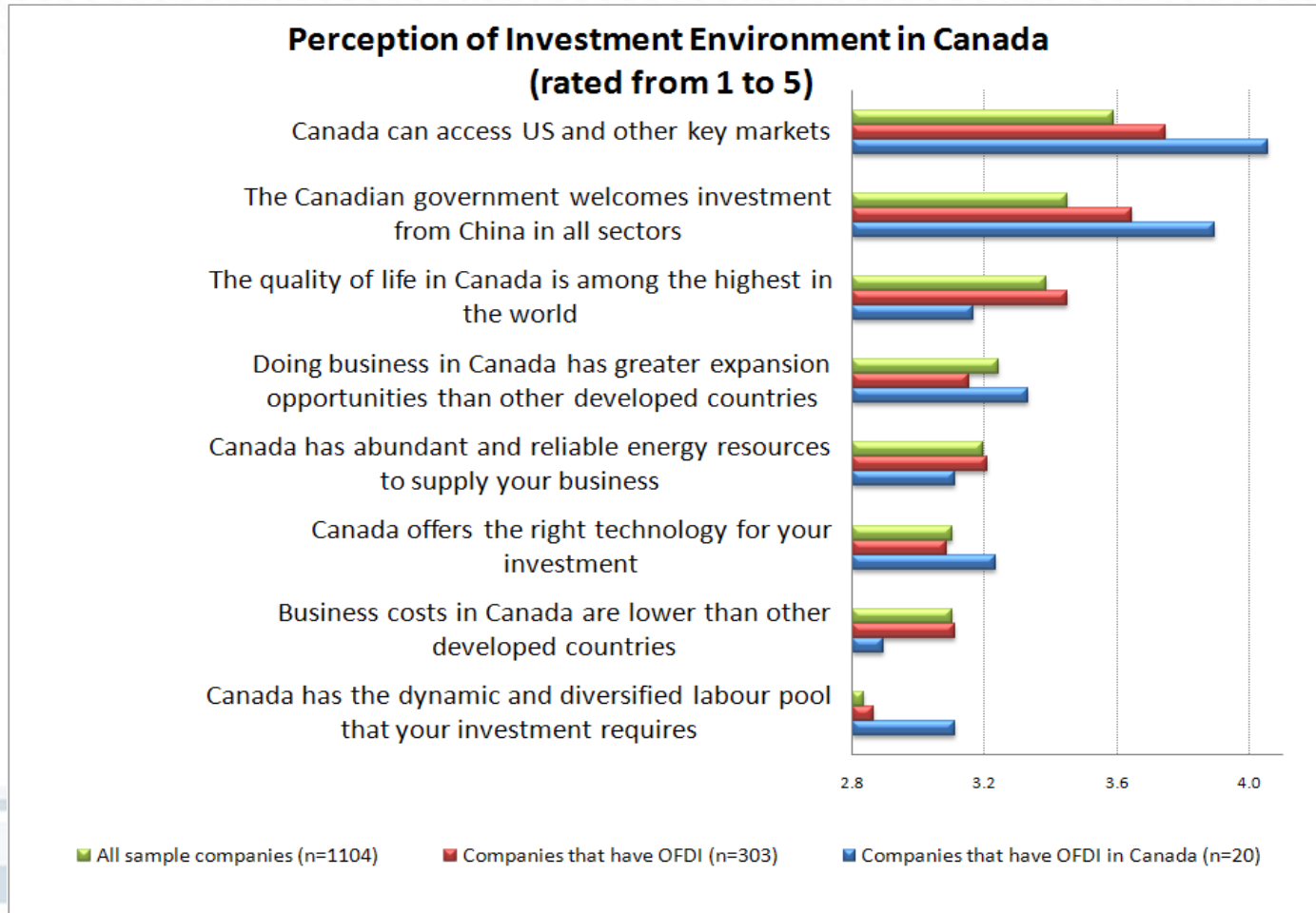


The 10 Largest Chinese TNCs: 2008

	Ranked by OFDI stock	Ranked by foreign assets	Ranked by foreign revenue
1	China National Petroleum Corporation	China National Petroleum Corporation	China National Petroleum Corporation
2	China Petrochemical Corporation	China Resources (Holdings) Co., Ltd.	China Petrochemical Corporation
3	Aluminum Corporation of China	China Mobile Communications Corporation	Sinochem Corporation
4	China Resources (Holdings) Co., Ltd.	China Ocean Shipping (Group) Company	China Resources (Holdings) Co., Ltd.
5	China Ocean Shipping (Group) Company	China Merchants Group	Legend Holdings Ltd.
6	China National Offshore Oil Corporation	China Petrochemical Corporation	China Ocean Shipping (Group) Company
7	China National Cereals, Oils & Foodstuffs Corp.	Aluminum Corporation of China	Huawei Technologies
8	Sinochem Corporation	China Unicom Corporation	Zhuhai Zhenrong Company
9	CITIC Group	China State Construction Engineering Corporation	China National Cereals, Oils & Foodstuffs Corp.
10	China Merchants Group	Sinochem Corporation	China Minmetals Corporation

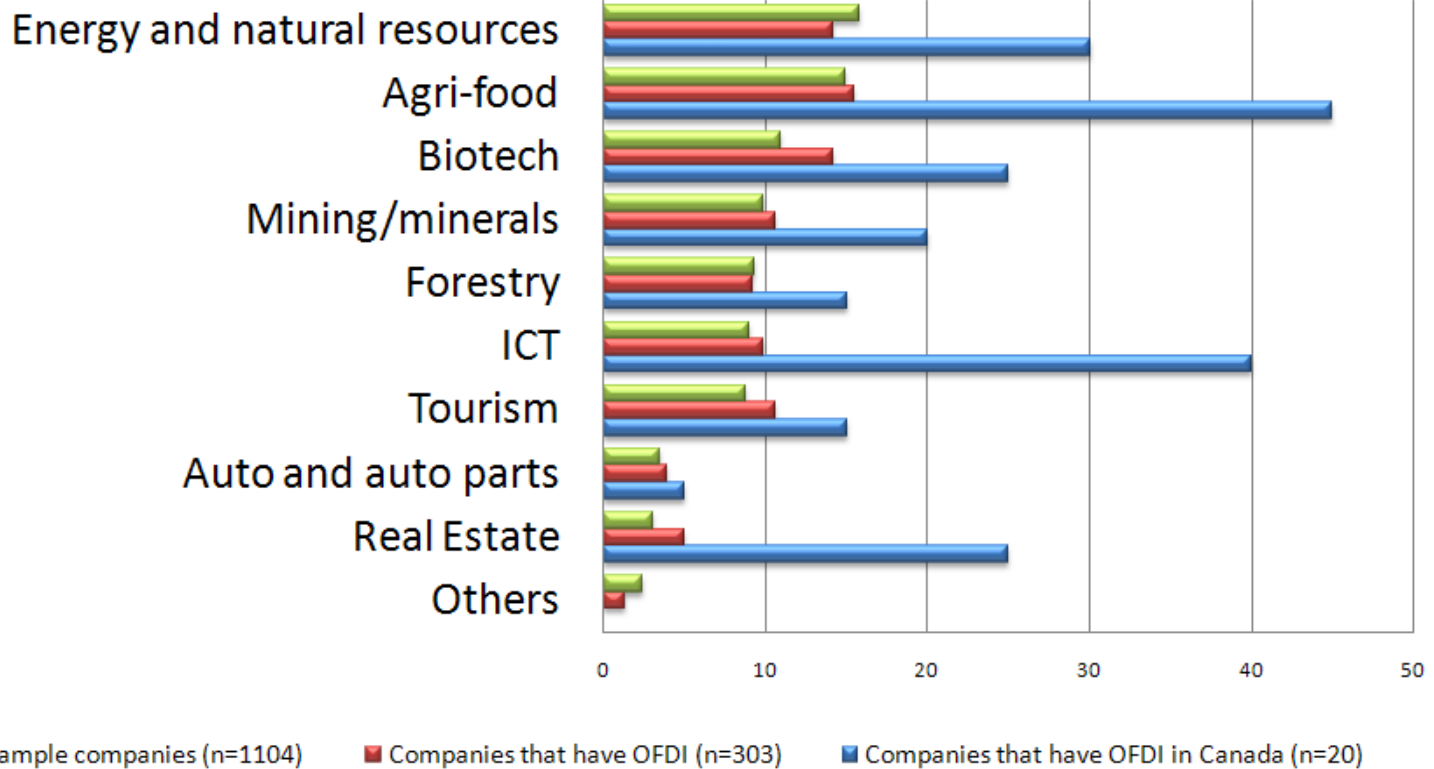
Source: MOFCOM, NBS, and SAFE: 2008 Statistical Bulletin of China's Outward Foreign Direct Investment

Canada is seen as open and gateway to NA markets

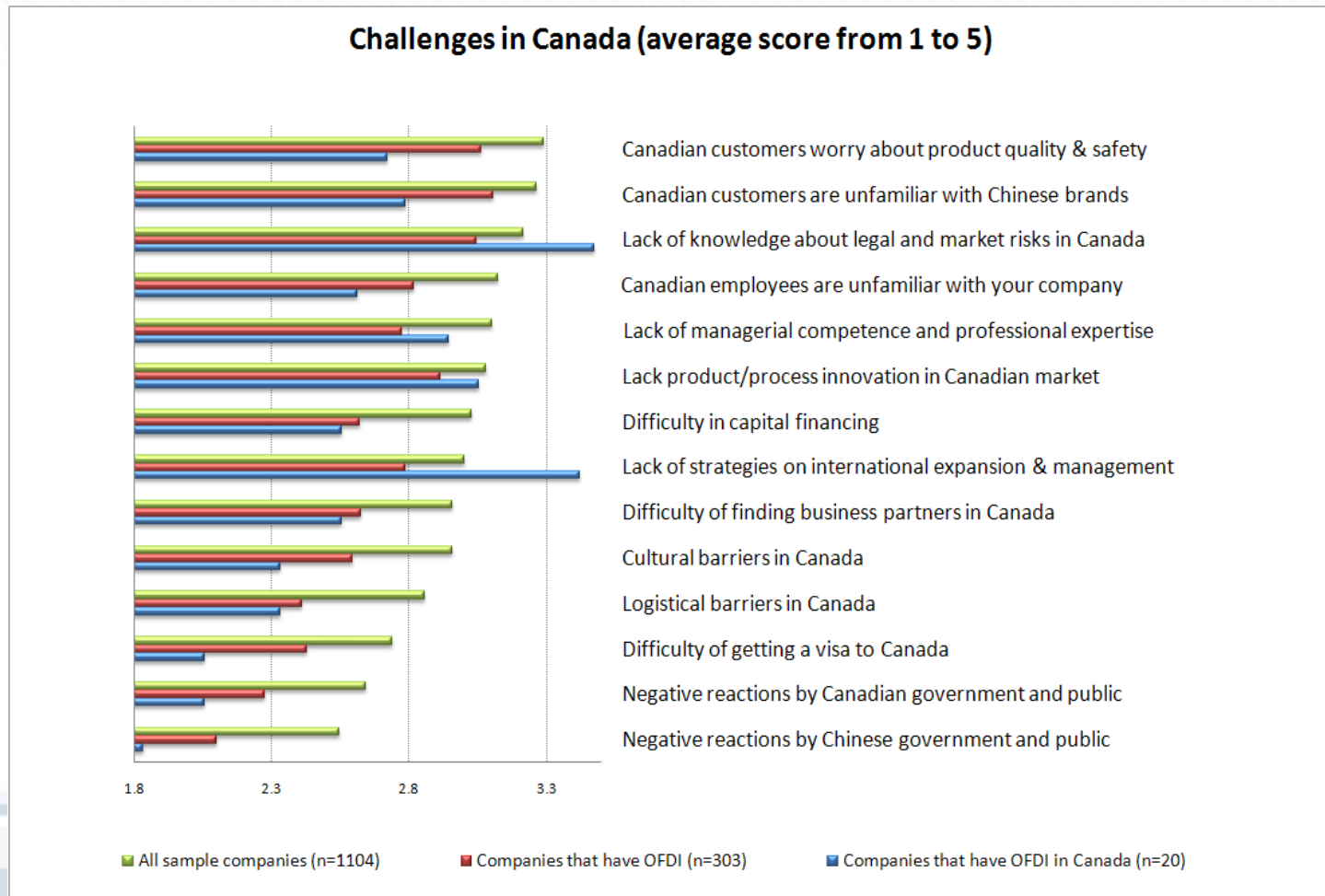


Canada has more to offer ...

Most Promising Sectors for Investing in Canada (%)



Market risk is seen a big challenge in Canada ...



China's OFDI Stories in Canada

- April 21, 2010: Huawei Technologies opens first R&D centre in Canada – **70 jobs**
- April 19, 2010: Zijin Mining Group makes investment in Inter-Citic Minerals Inc. – **C\$18.56 million** strategic investment
- April 13, 2010: Sinopec plans to purchase Syncrude stake from ConocoPhillips – **US\$4.65 billion**



China's OFDI Stories in Canada (cont'd)

- December 28, 2009: CRCC-Tongguan Investment Co. to acquire Corriente Resources – **C\$679 Million**
- September 01, 2009: PetroChina to acquire 60% interest in Alberta oil sands projects – **C\$1.9 billion**
- July 03, 2009: China Investment Corporation to acquire 17.5% interest in Teck Resources – **C\$1.7 billion**

China's OFDI Stories in Canada (cont'd)

- June 05, 2009: Industrial Commercial Bank of China to buy 70% stake in Bank of East Asia's Canadian asset - **C\$80.25 million**
- April 01, 2009: Wuhan Iron and Steel Group invests in Consolidated Thompson Iron Mines Ltd. – **US\$240 million**
- January 15, 2009: Minmetals secures 20% equity in Macarthur Minerals' Australian Project – **C\$6.67 million**

Conclusions

- Chinese OFDI is set on rising
- Various interest in addition to nature resources
- SOEs are major players
- Investment scale tends to increase
- Policy implications
- Business opportunities

