

# Growing and Diversifying Chinese Investment in Canada

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# Topics for Today

- Chinese OFDI Global Performance: brief overview
- Chinese Investment in Canada: perceptions to be demystified
- Chinese Investment in Natural Resources: mining stories
- Conclusion

# Chinese OFDI Global Performance

## 1. Policy Driven

- ✓ “Going Global”

## 2. Multiple Motivations

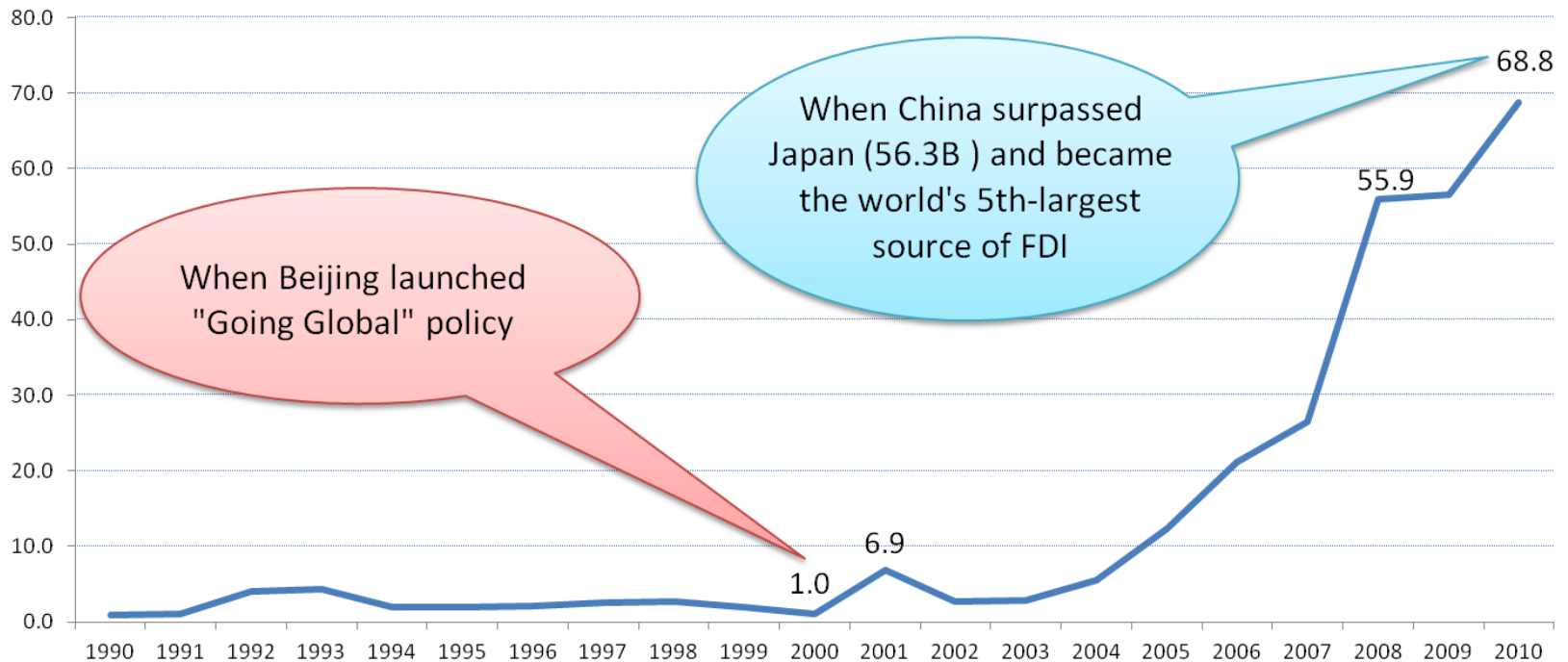
- ✓ Seek natural resource
- ✓ Seek capital
- ✓ Seek new markets
- ✓ Seek efficiencies
- ✓ Seek strategic assets

## 3. Learning by Doing



# China's OFDI is accelerating ...

Chinese OFDI Annual Flows: 1990-2010 (US\$B)



Source: MOFCOM, NBS, and SAFE: 2010 Statistical Bulletin of China's Outward Foreign Direct Investment

# Chinese OFDI Highlights: 2008 vs. 2010

	2008	2010	2010/2008
Investing company (#)	8,500	13,000	53%
Overseas established company (#)	12,000	16,000	33%
Countries (regions) invested (#)	174	178	2.3%
OFDI flows (US\$B)	55.91	68.81	23%
OFDI flows +/- (%y-o-y)	111	21.7	-80%
OFDI stocks (US\$B)	183.97	317.3	73%
OFDI stocks +/- (%y-o-y)	56	29	-48%
Total assets of overseas company (US\$B)	1,000	1,500	50%
Total jobs created (million)	-	1.1	

Source: MOFCOM, NBS, and SAFE, 2008 and 2010

# Highly Targeted Destinations: 2010

Top Destinations	Amount (US\$B)	Share (%)	Major Sector
Hong Kong SAR	38.5	56.0	Business service, finance, wholesale and retail, transportation, real estate and manufacturing
British Virgin Islands	6.1	8.9	Business service
Cayman Islands	3.5	5.1	Business service
Luxemburg	3.2	4.7	Business service
Australia	1.9	3.4	Mining, real estate and manufacturing
Sweden	1.4	2.0	Manufacturing
U.S.A.	1.3	1.9	Manufacturing, business service, construction, mining, wholesale and retail
Canada	1.14	1.7	Mining, wholesale and retail, manufacturing and business service
Singapore	1.12	1.6	Electricity/gas/water production and supply, business service
Subtotal	58	84	

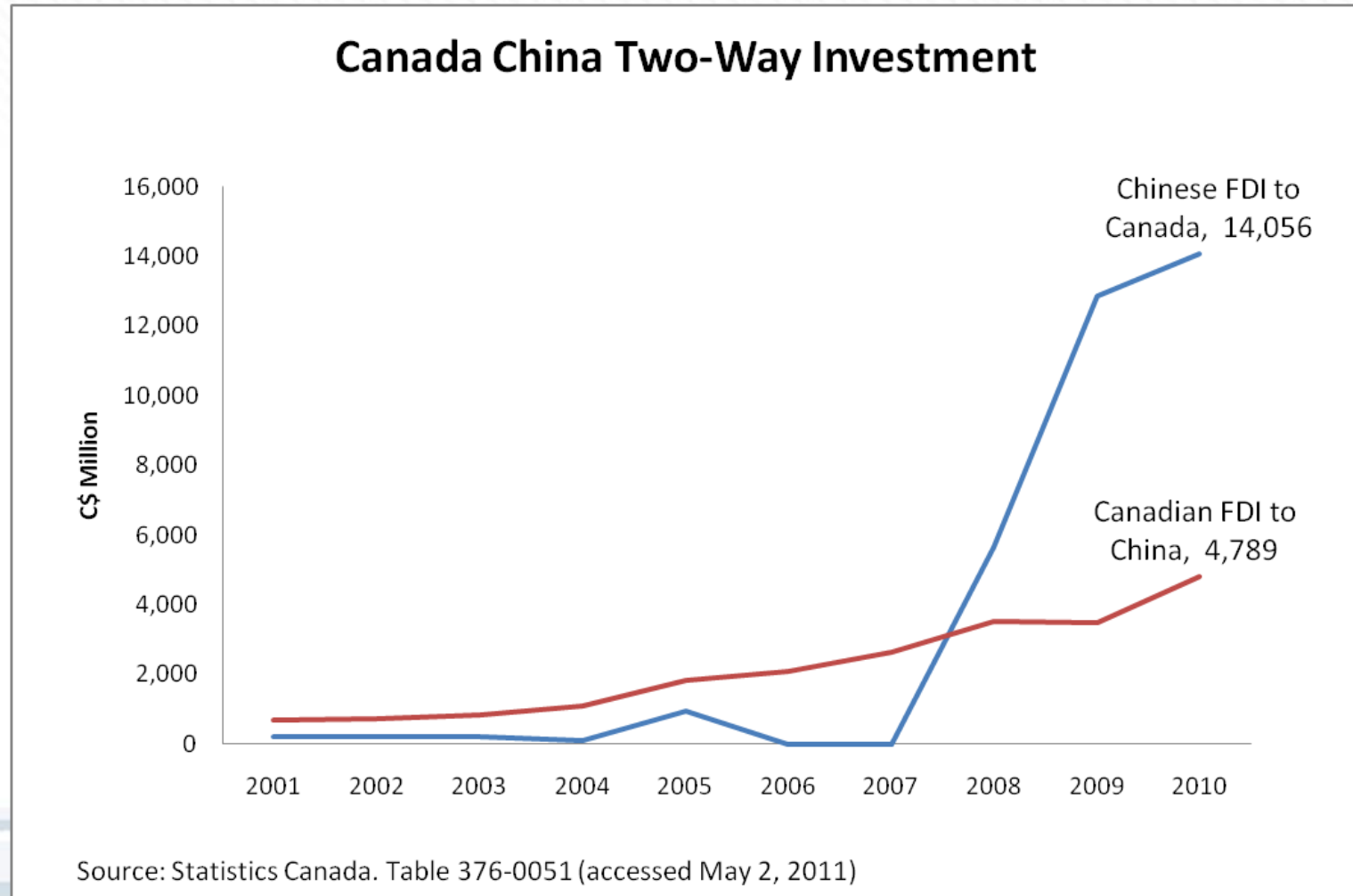
Source: MOFCOM, NBS, and SAFE: 2010 Statistical Bulletin of China's Outward Foreign Direct Investment

# Chinese Investment in Canada

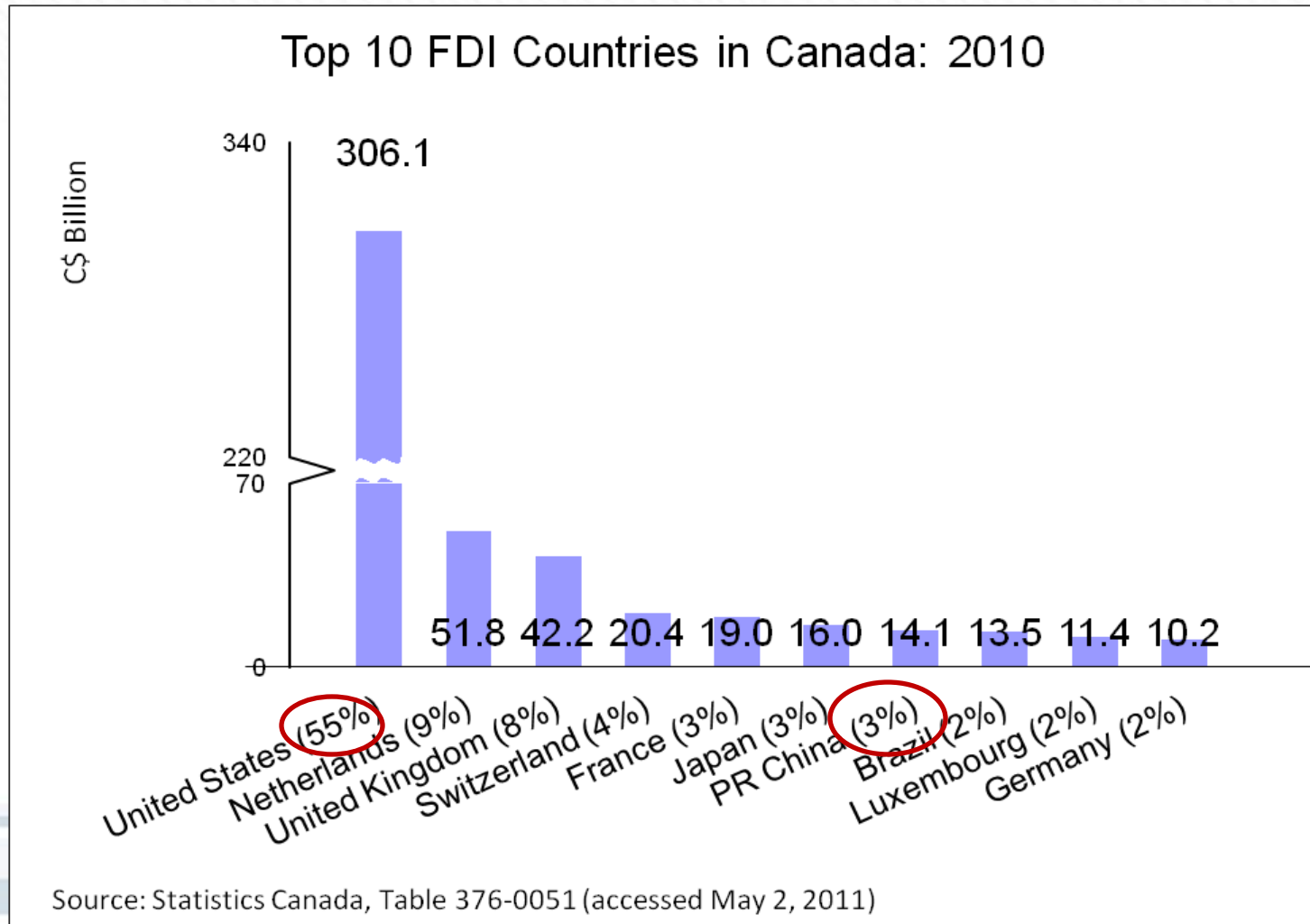
1. Growing fast but remaining small
2. One policy, many players
3. Targeting resources but diversifying interest



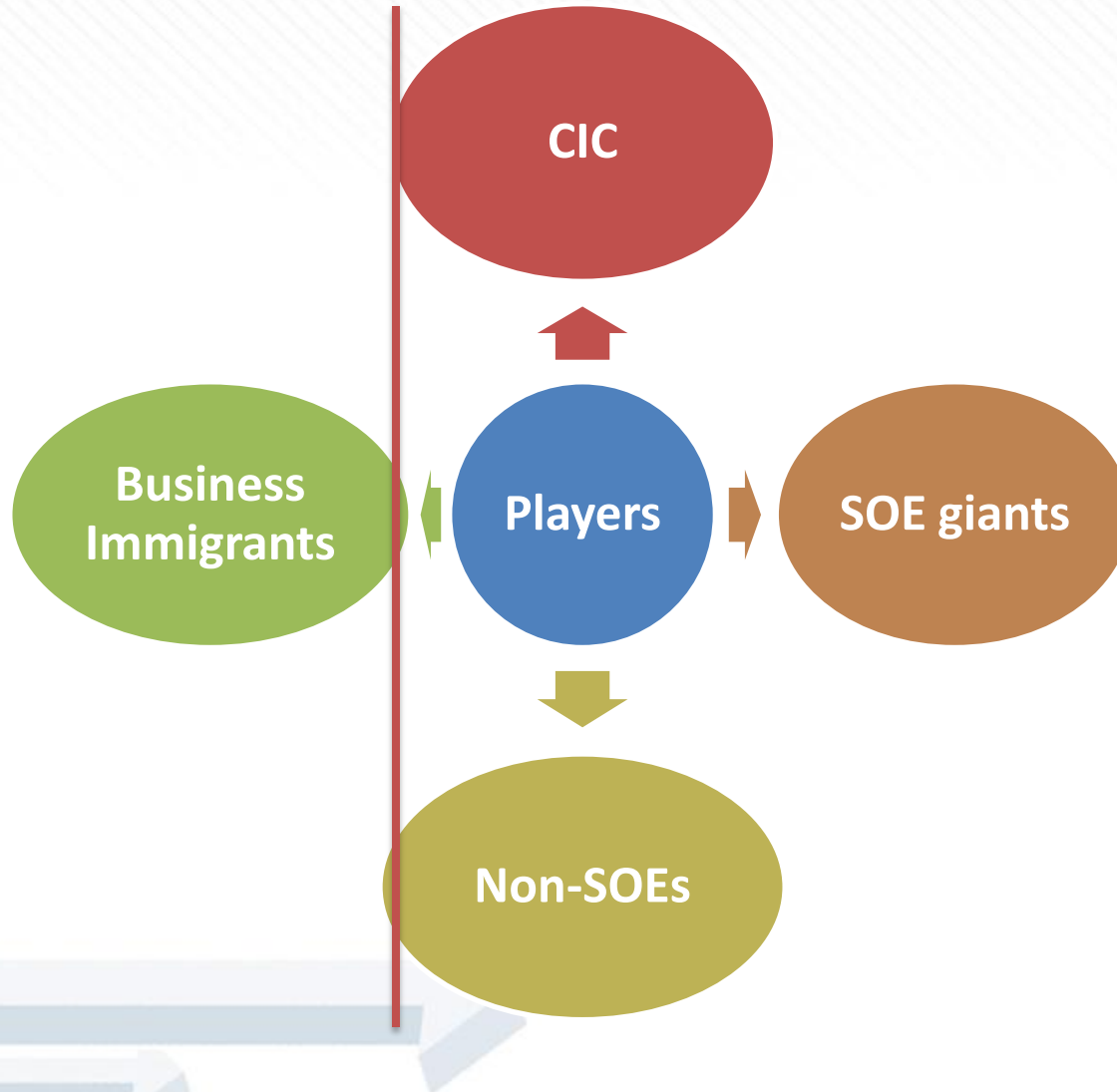
# How fast is too fast?



# How much is too much?



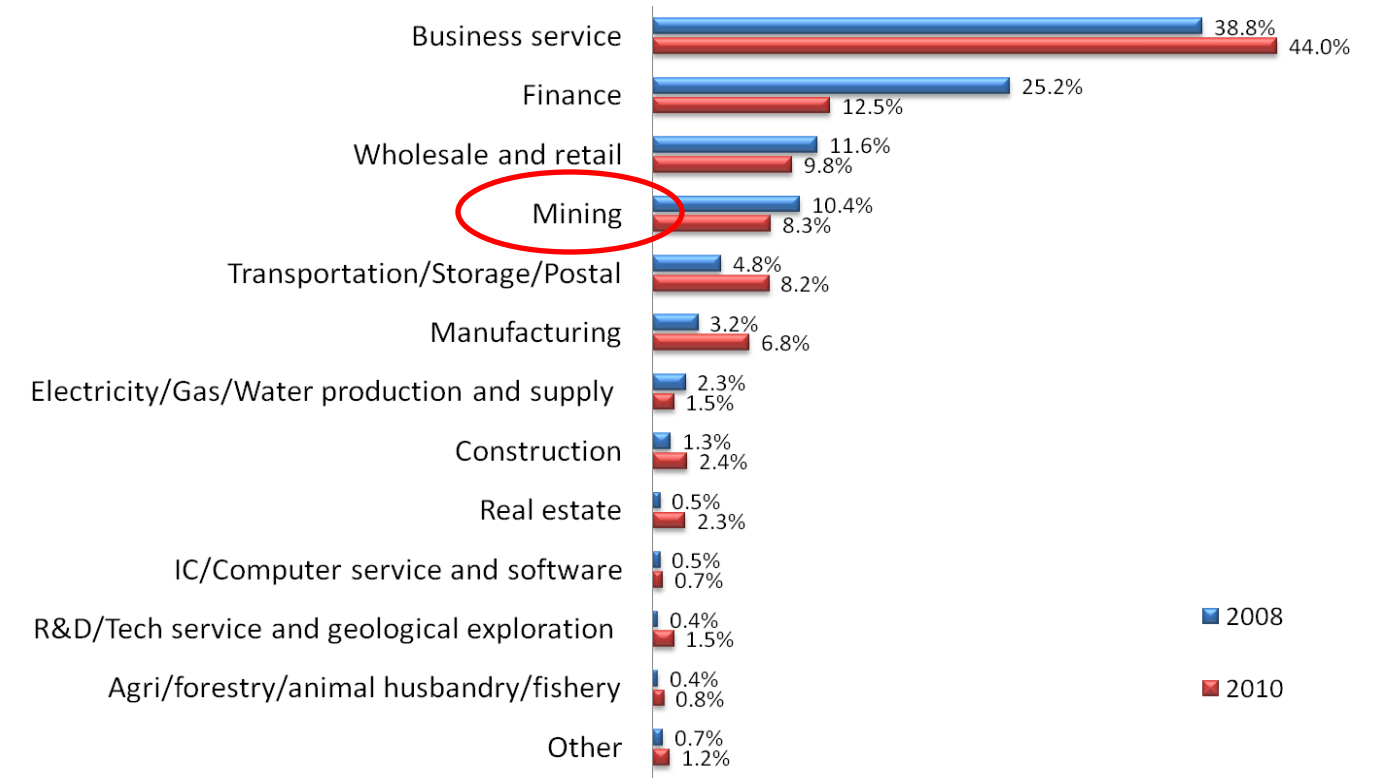
# One Policy, Many Players



Source: Zhang and Chen, 2011

# Diversified investment interest ...

### Sectoral Distribution of Chinese OFDI: 2008 vs. 2010



Source: MOFCOM, NBS, and SAFE: 2008; 2010 Statistical Bulletin of China's Outward Foreign Direct Investment

# \$16-billion: Chinese investment in energy projects in past two years

1. C\$4.65 b: Sinopec-Syncrude take-over deal (Apr. 2010)
2. C\$2.2 b: Sinopec-Daylight deal (Oct. 2011)
3. US\$2.1 b: CNOOC-Opti, to buy a 35% stake in oil sands (Nov. 2011)
4. C\$1.9 b: PetroChina-Athabasca 60% interest of MacKay and Dover oil sands projects (Feb. 2010)
5. C\$680 m: PetroChina-Athabasca for remaining 40% Interest in MacKay River Oil Sands Project (January, 2012)
6. C1.7 b: CIC-Teck equity investment (July, 2009)



Photo: China.org.cn

# BC Primer: \$1.36-billion investment in 2 mining projects - 6,700 new jobs



Photo: BC Government, November 9, 2011.

1. \$860 million: Canadian Kailuan Dehua Mines Co., Ltd., to develop the Gething Coal mine
2. \$500 million: Shandong Energy Feicheng Mining Group Co. Ltd. and Canadian Dehua International Mines Group Inc. to the early phase

# Other Mining Projects



Photo: Vancouver Sun

1. C\$431 m: Jinchuan Group completes acquisition of Continental Minerals (April 2011)
2. C\$11.7 m: Baosteel to acquire 9.9% interest in Noront Resources (May 2011)
3. C\$400 m: Jilin Jien Nickel announces investment in Northern Quebec Mine (Aug. 2011)
4. C\$18.56 m: Zijin Group makes strategic investment in Inter-Citic Minerals (April 2010)

# Failed/Rejected Attempts



Photo: China.org.cn

1. C\$5.4 b: PetroChina-EnCana deal to purchase 50% interest in Cutbank Ridge shale gas (Jun. 2011)
2. C\$6.3 b: Minmetals-Equinox deal for copper miner (April 2011)
3. C\$6.7 b: Minmetals-Noranda takeover deal (Nov. 2004)

# Conclusion:

- Chinese FDI is set to rise
- Attention to all players
- Attention to key sectors
- Canada and China should work together



# Thanks! 谢谢!

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