

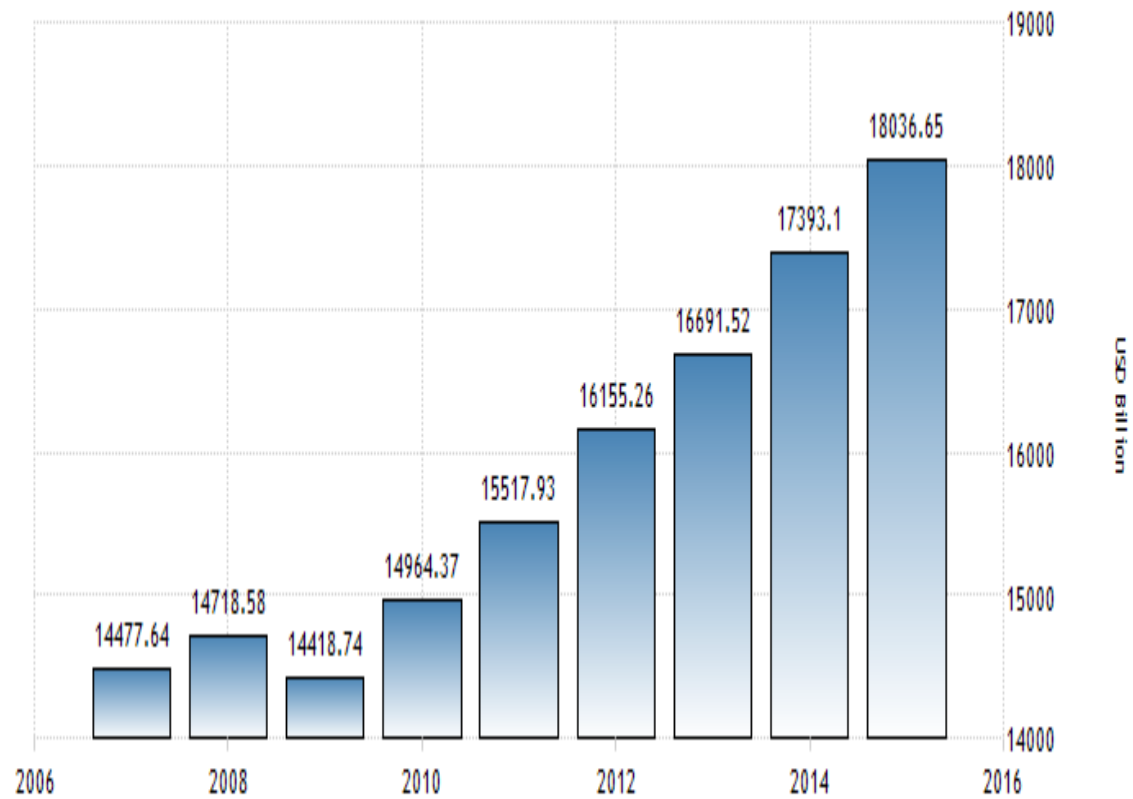
US Economy VS China's Economy FDI Inflow and outflow

19/7/2017

Tatheer Zahra Sherazi

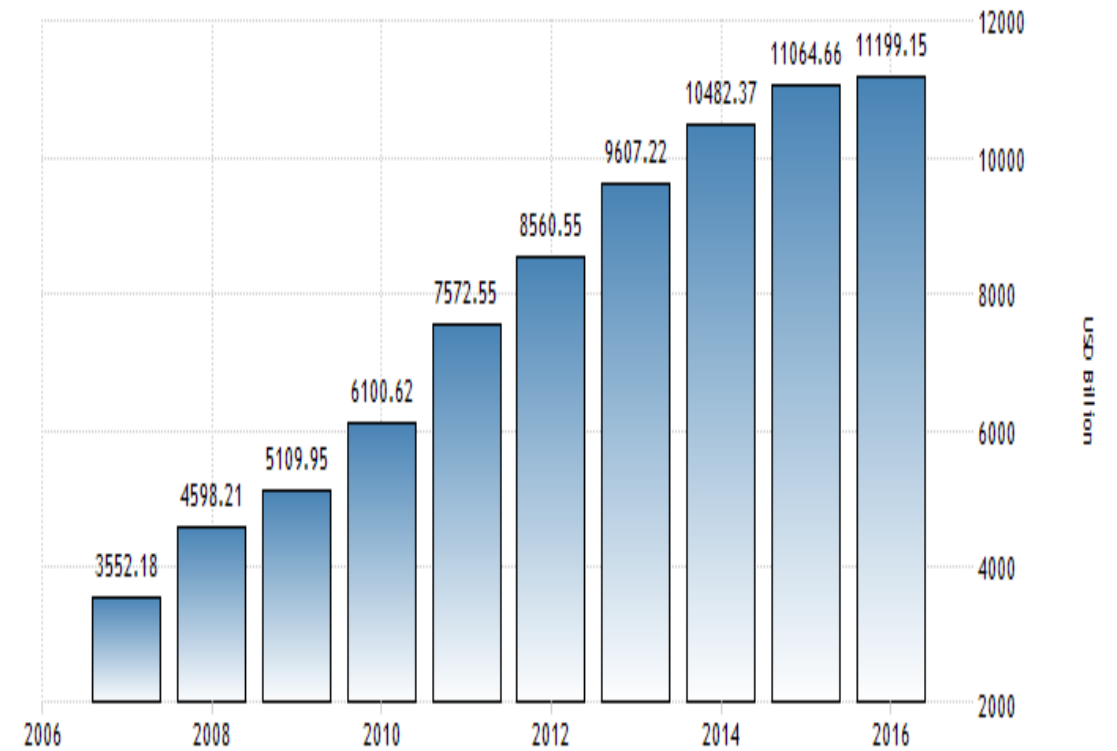
US and China GDP

US GDP



SOURCE: TRADINGECONOMICS.COM | WORLD BANK

CHINA GDP



SOURCE: TRADINGECONOMICS.COM | WORLD BANK

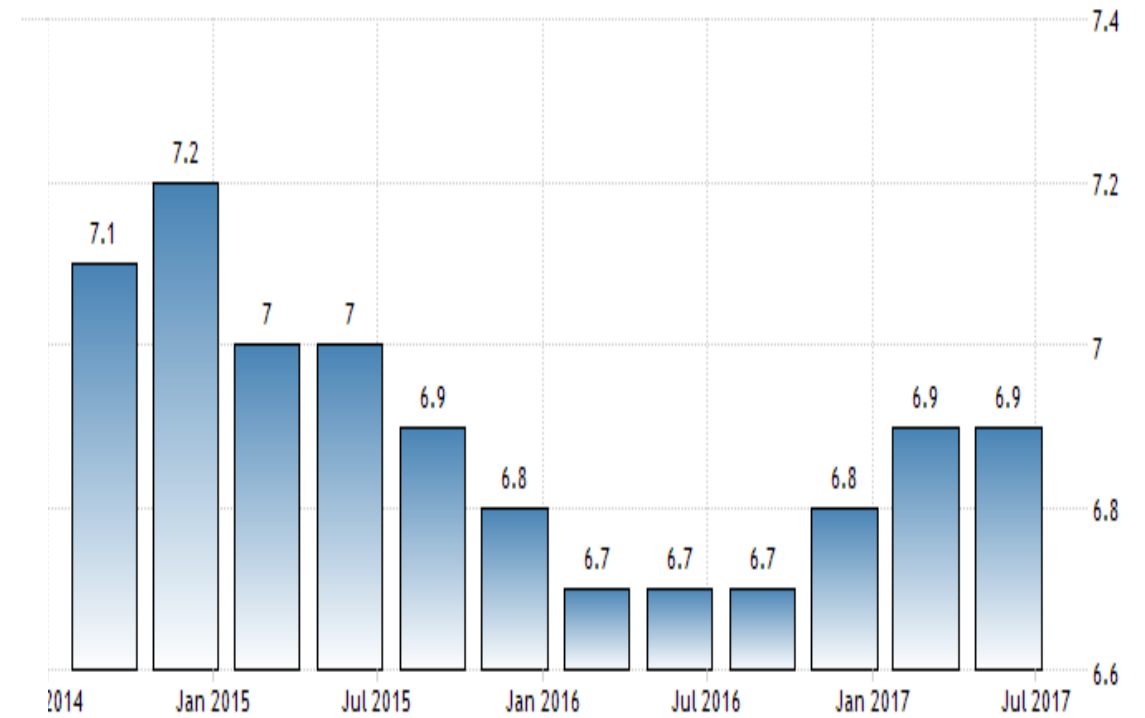
Growth rate US vs China

US GDP ANNUAL GROWTH RATE



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

CHINA GDP ANNUAL GROWTH RATE



SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

GDP by Sectors

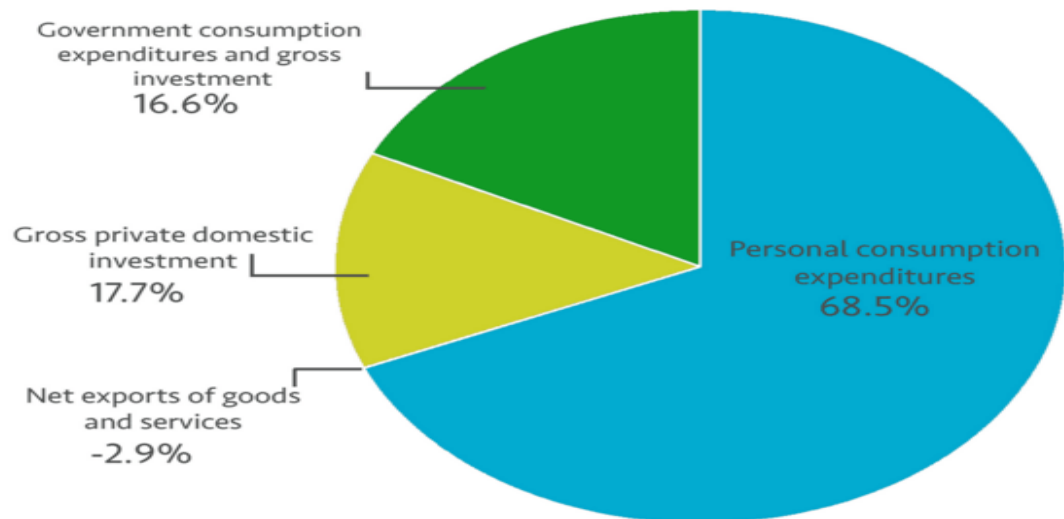
- Agriculture
- Industry
- Services



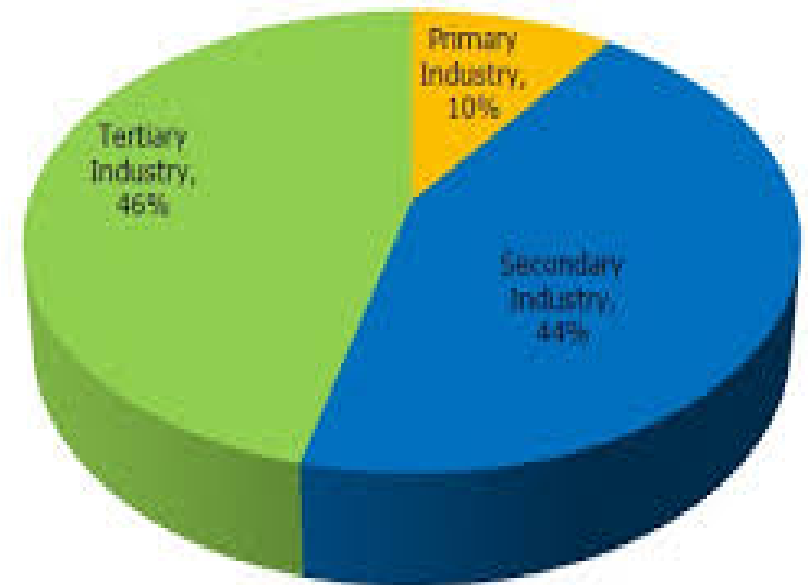
Source: CIA World Factbook
Graph: www.Business-in-asia.com



GDP Breakdown

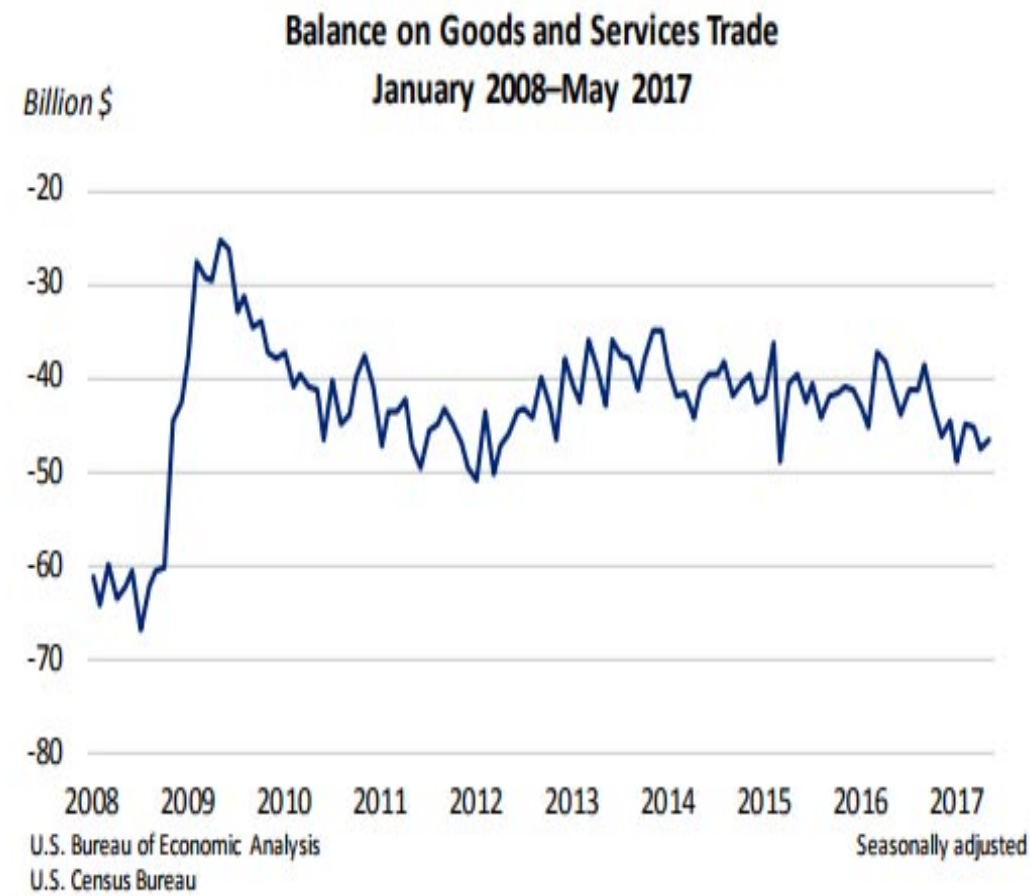


China's GDP Break-Up



2013, National Bureau of Statistics of China

US and China Trade Balance

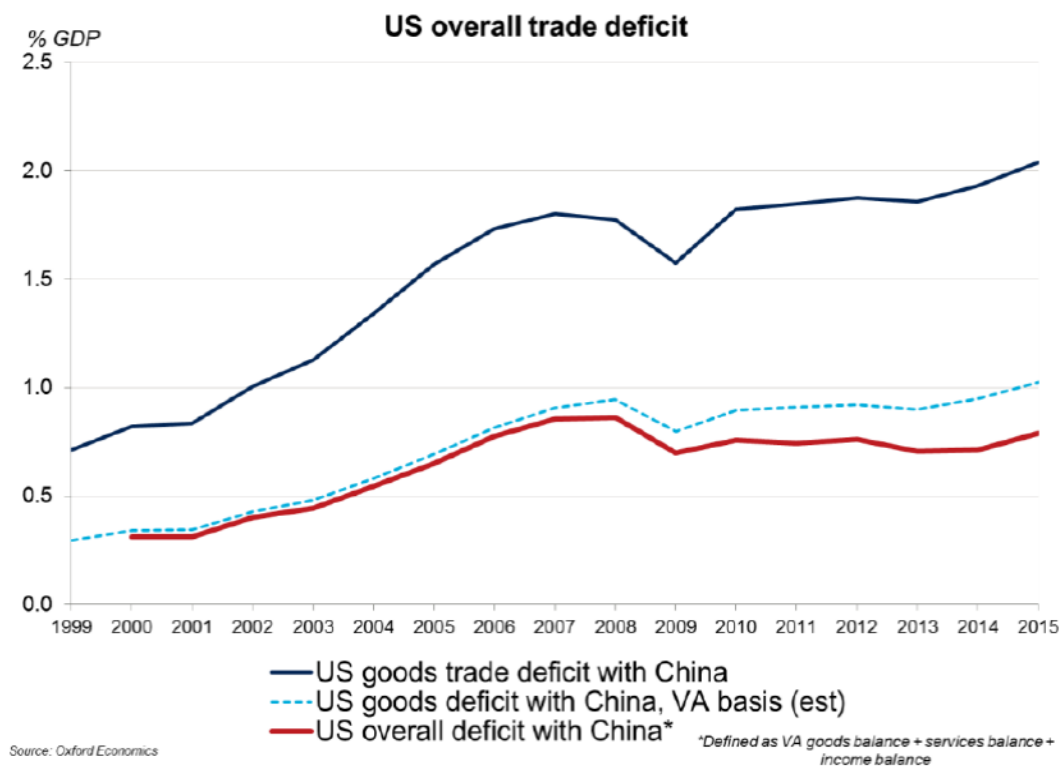


| May | | January-May | | |
|-------------------------------|------------|----------------|------------|-------|
| Absolute Value | Increase % | Absolute Value | Increase % | |
| Total import and export value | 3412.5 | 11.3 | 15629.3 | 13.0 |
| Export value | 1910.3 | 8.7 | 8533.5 | 8.2 |
| Import value | 1502.2 | 14.8 | 7095.8 | 19.5 |
| Export and import balance | 408.1 | -9.1 | 1437.7 | -26.2 |

China's trade balance



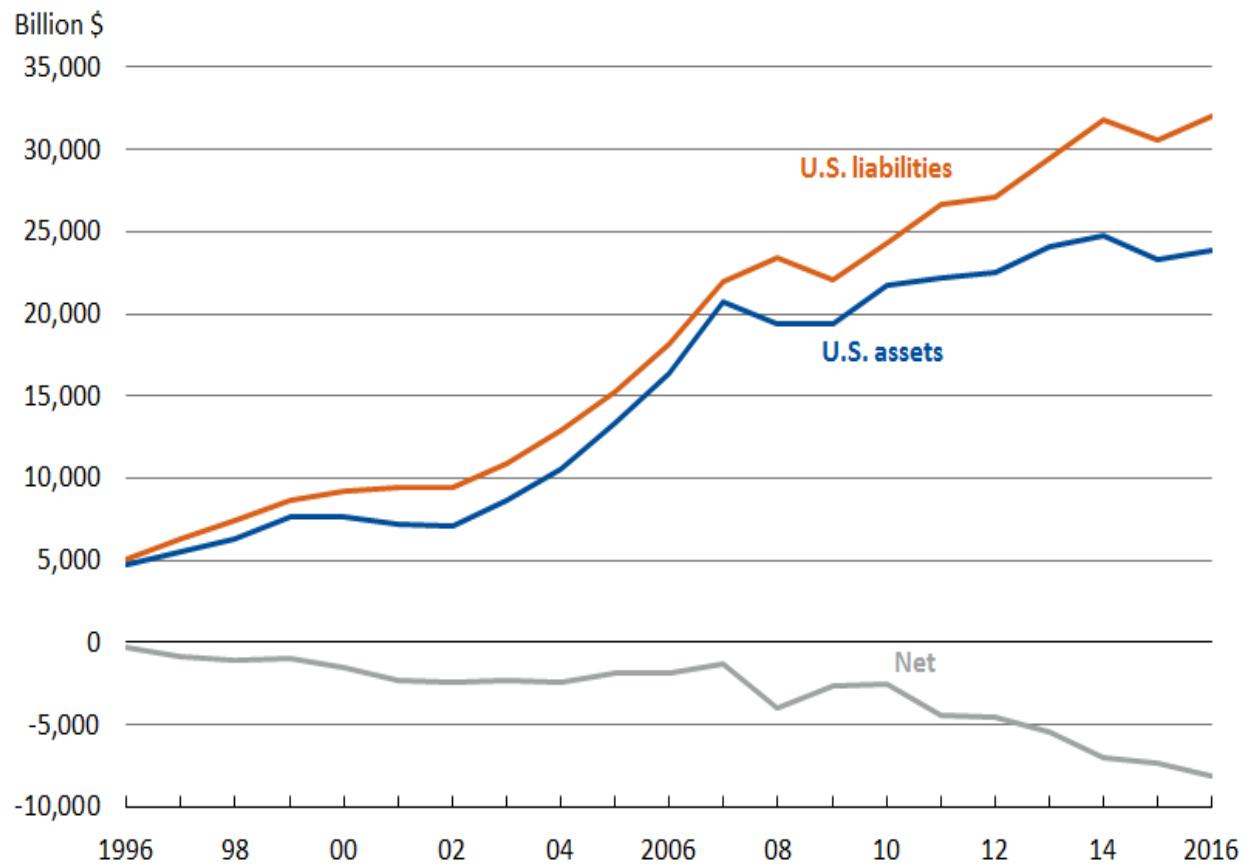
Fig. 7: The US trade deficit with China has stabilized in recent years



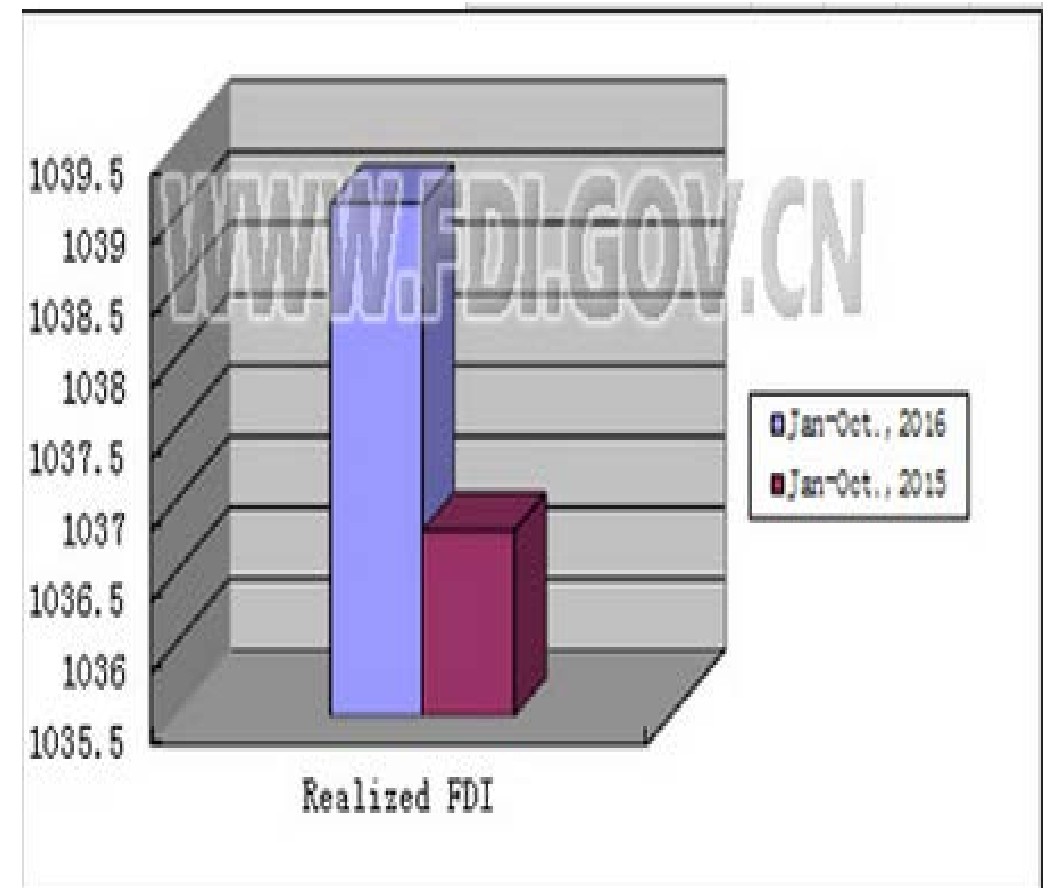
Source: Oxford Economics

US and China FDI

U.S. Net International Investment Position at the End of the Year



Bureau of Economic Analysis

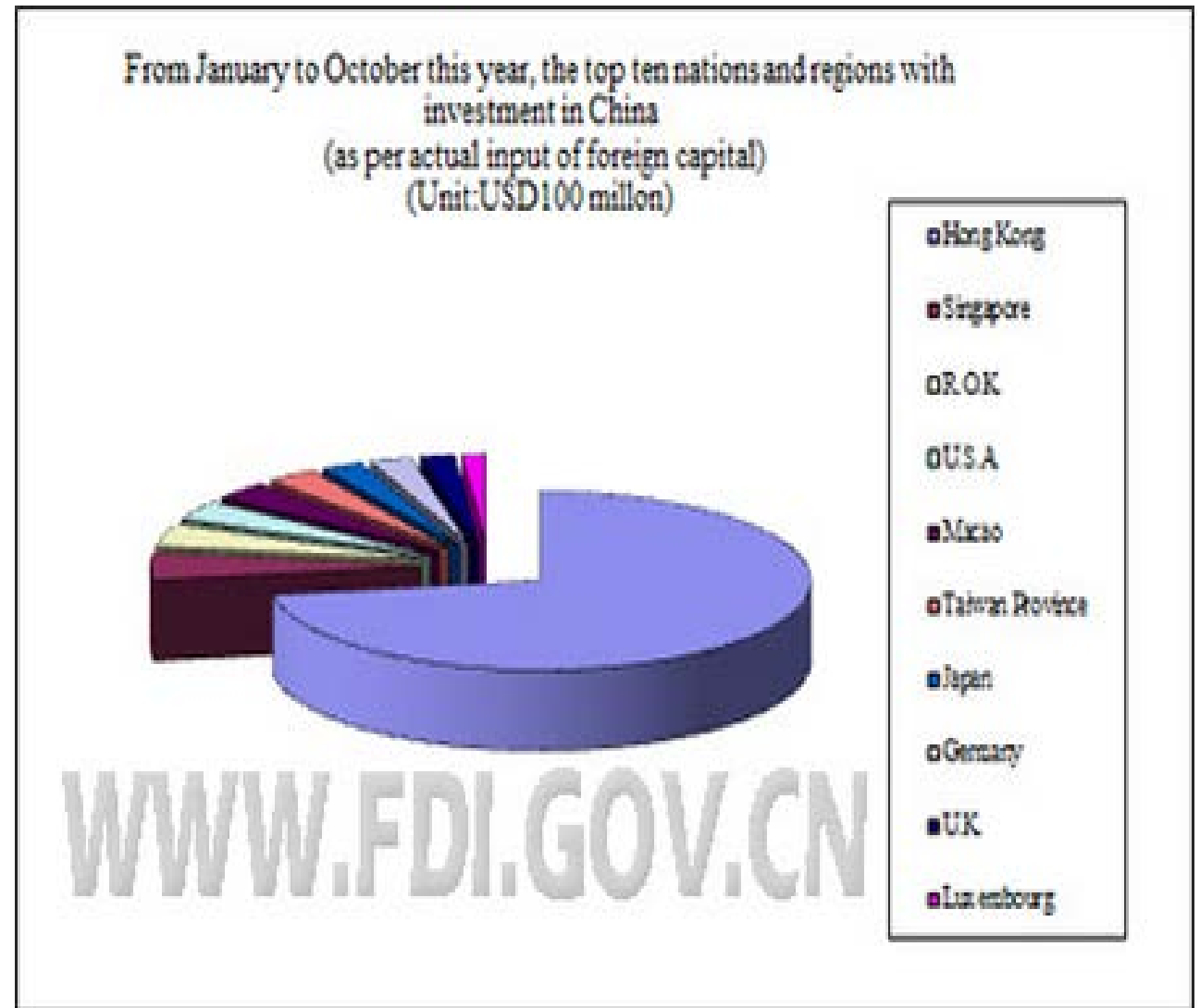
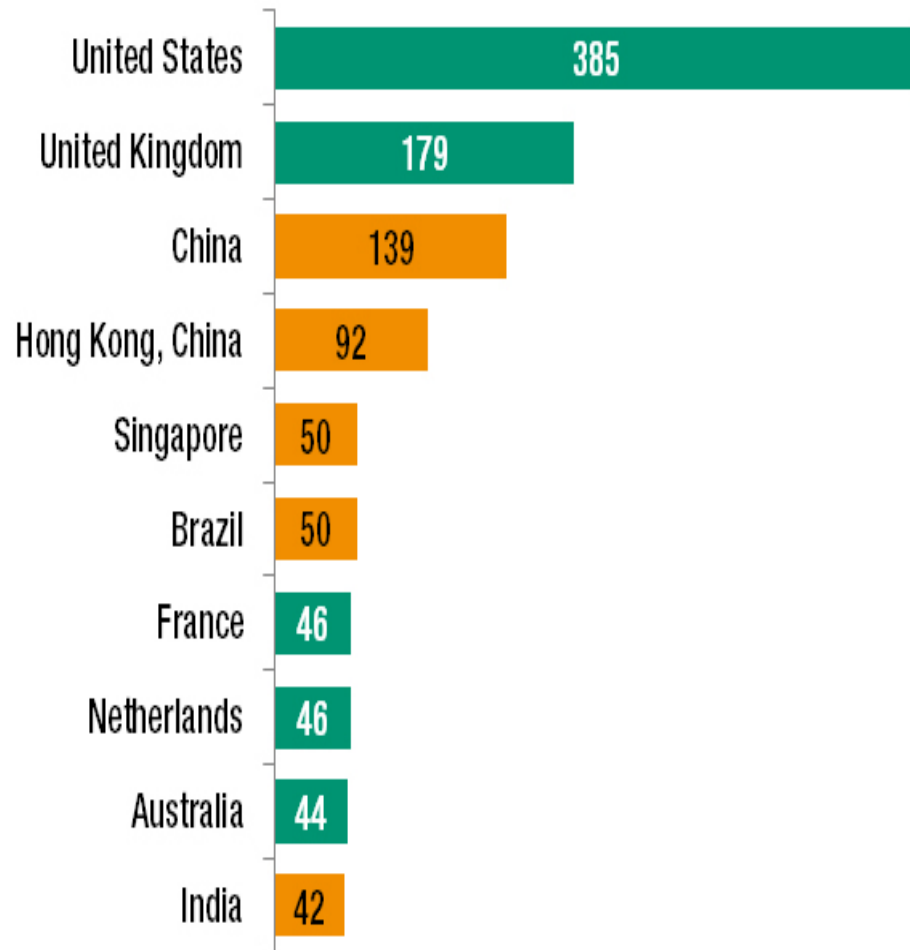


. Annual Change in the U.S. Net International Investment Position

Billions of dollars

| | Position, 2015 | 2016 | | | | | | Position, 2016 |
|--------------------------------|----------------|---------|------------------------|--------|---------------|-----------------------|--|----------------|
| | | Total | | | | | | |
| | | | Financial transactions | | | | | |
| | | | | Total | Price changes | Exchange-rate changes | Changes in volume and valuation n.i.e. | |
| U.S. net investment position | -7,493.5 | -824.9 | -377.7 | -447.2 | (1) | (1) | (1) | -8,318.4 |
| Net position excl. derivatives | -7,549.8 | -829.9 | -393.5 | -436.4 | 37.3 | -473.0 | -0.7 | -8,379.7 |
| Financial derivatives, net | 56.3 | 5.0 | 15.8 | -10.8 | (1) | (1) | (1) | 61.3 |
| U.S. assets | 23,352.4 | 497.1 | (2) | (2) | (2) | (2) | (2) | 23,849.4 |
| Assets excl. derivatives | 20,924.1 | 716.3 | 347.9 | 368.4 | 833.7 | -497.9 | 32.7 | 21,640.5 |
| Financial derivatives | 2,428.2 | -219.3 | (2) | (2) | (2) | (2) | (2) | 2,209.0 |
| U.S. liabilities | 30,845.9 | 1,322.0 | (2) | (2) | (2) | (2) | (2) | 32,167.8 |
| Liabilities excl. derivatives | 28,473.9 | 1,546.2 | 741.4 | 804.8 | 796.4 | -24.9 | 33.3 | 30,020.1 |
| Financial derivatives | 2,371.9 | -224.3 | (2) | (2) | (2) | (2) | (2) | 2,147.7 |

Global Trend for FDI and China's destinations



Comparison of inflow and outflow

| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| US | 112,638 m | 243,151 | 221,165 | 310,092 | 150,442 | 205,850 | 236,068 | 204,134 | 206,120 | 176,217 | 353,283 | 395,995 |
| China | 104,109 | 124,082 | 156,249 | 171,535 | 131,057 | 243,703 | 280,072 | 241,214 | 290,928 | 268,097 | 242,489 | 170,557 |
| Japan | 2,778 | -6,503 | 22,548 | 24,418 | 11,939 | -1,252 | -1,757 | 1,732 | 2,303 | 10,622 | -2,251 | 11,388 |
| Germany | 47,421 | 55,686 | 80,227 | 8,114 | 23,807 | 65,646 | 67,573 | 28,190 | 10,025 | -10,702 | 21,124 | 14,962 |
| UK | 182,894 | 147,396 | 176,864 | 91,798 | 89,796 | 58,180 | 42,196 | 55,626 | 51,673 | 44,845 | 33,005 | 253,700 |

FDI outflow

| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|
| US | 36,235 | 244,923 | 414,039 | 329,081 | 310,383 | 301,080 | 419,061 | 339,346 | 323,776 | 312,288 | 322,494 | 318,268 |
| China | 13,730 | 23,932 | 17,155 | 56,742 | 43,890 | 57,954 | 48,421 | 64,963 | 72,971 | 123,130 | 174,391 | 217,203 |
| Japan | Japan ₆ | 45,830 | 50,244 | 73,545 | 127,981 | 74,699 | 56,276 | 107,550 | 135,745 | 129,157 | 128,698 | 145,230 |
| Germany | 74,498 | 116,745 | 169,351 | 71,370 | 68,548 | 125,453 | 78,002 | 62,188 | 36,721 | 84,867 | 81,105 | 39,985 |
| UK | 88,544 | 81,113 | 335,934 | 197,411 | 28,993 | 48,075 | 95,578 | 20,767 | 40,481 | -148,383 | -82,144 | -12,607 |

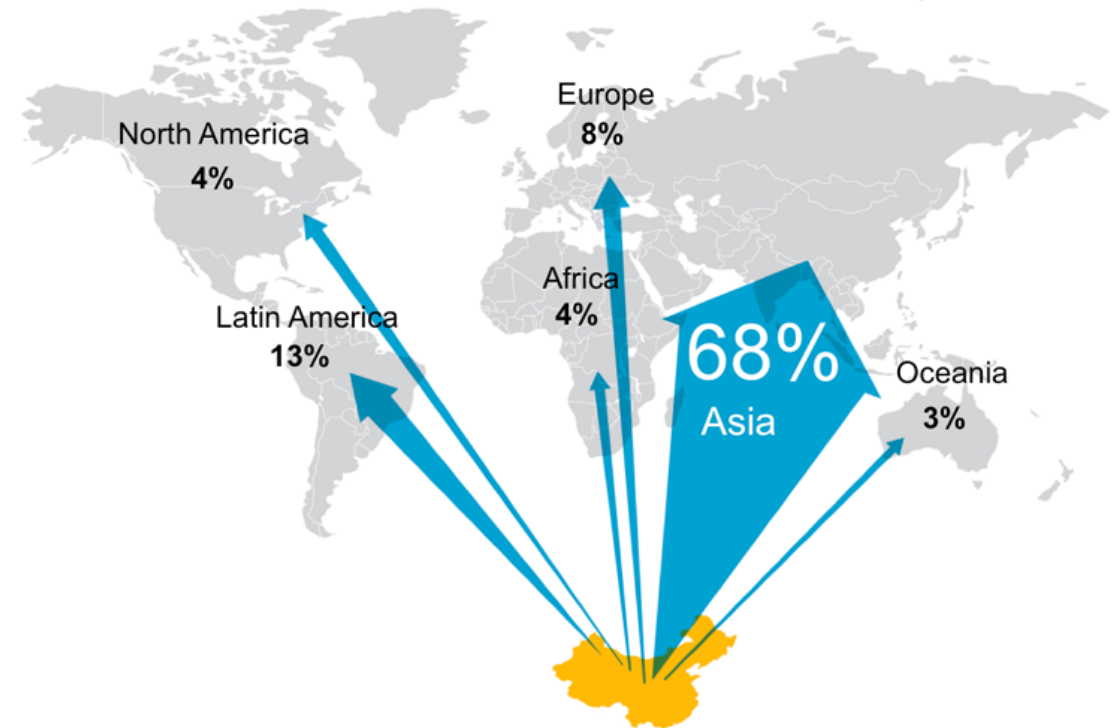
China from Recipient to Investor of Foreign Direct Investment : Asia



chinadaily.com.cn

Source: The Ministry of Commerce

Continental Distribution of China's OFDI Stock, 2013

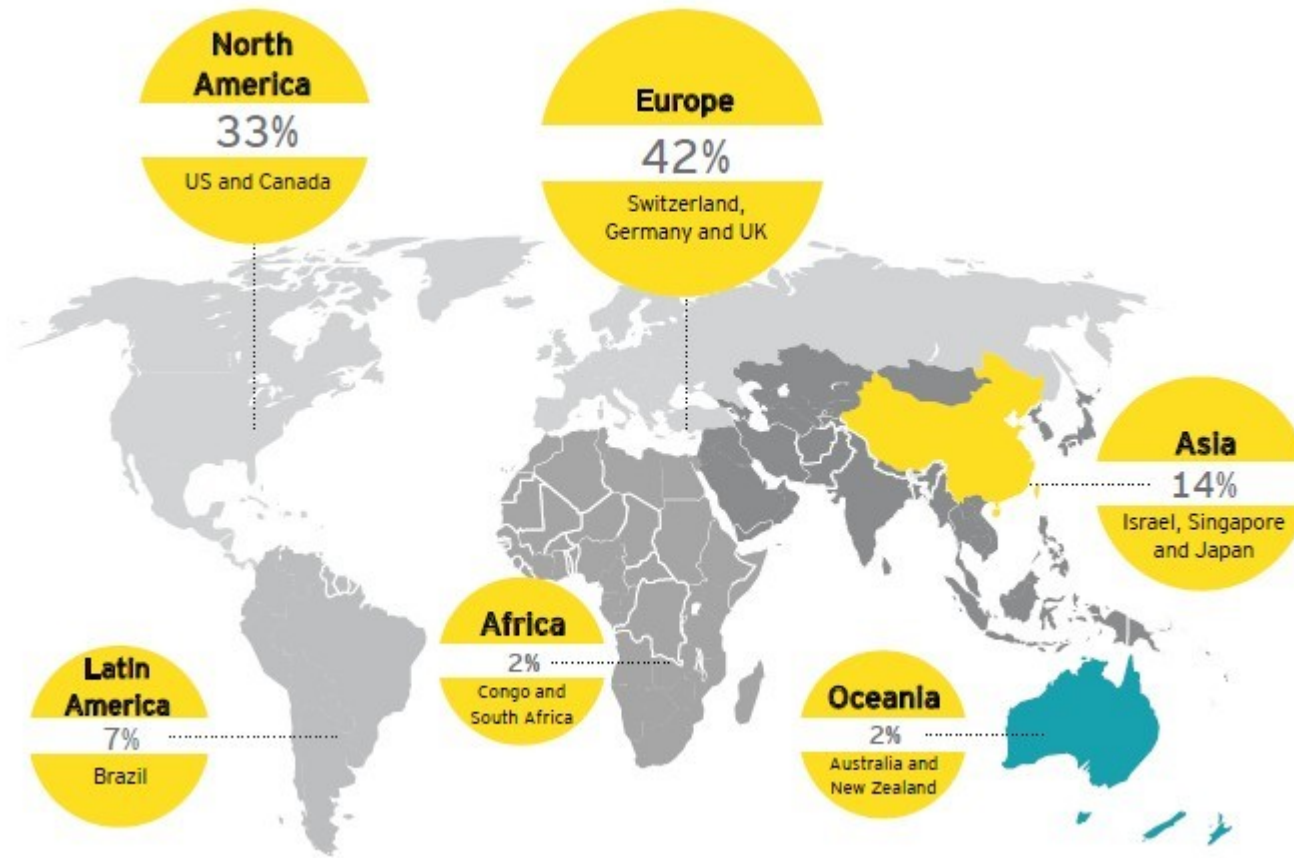


Source: <http://bit.ly/1Jvef5J>

 WORLD RESOURCES INSTITUTE

- # China FDI outflow in Europe and US

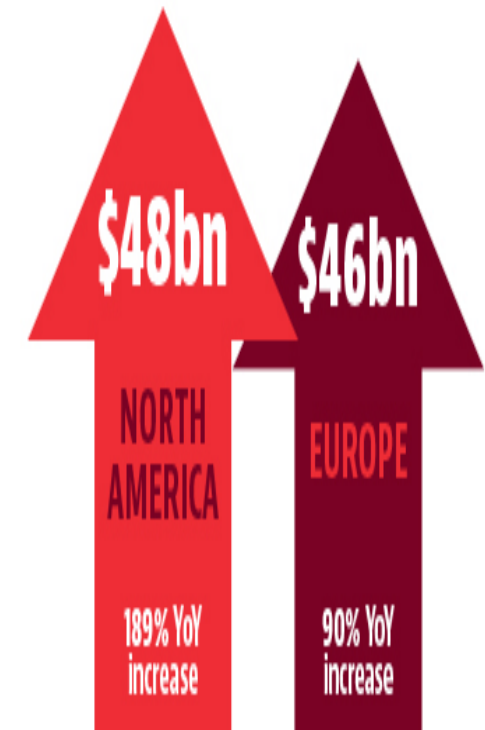
Combined Chinese direct investment in the advanced economies of North America and Europe more than doubled in 2016 to a new record of USD 94.2 billion



CHINESE FDI IN EUROPE & NORTH AMERICA

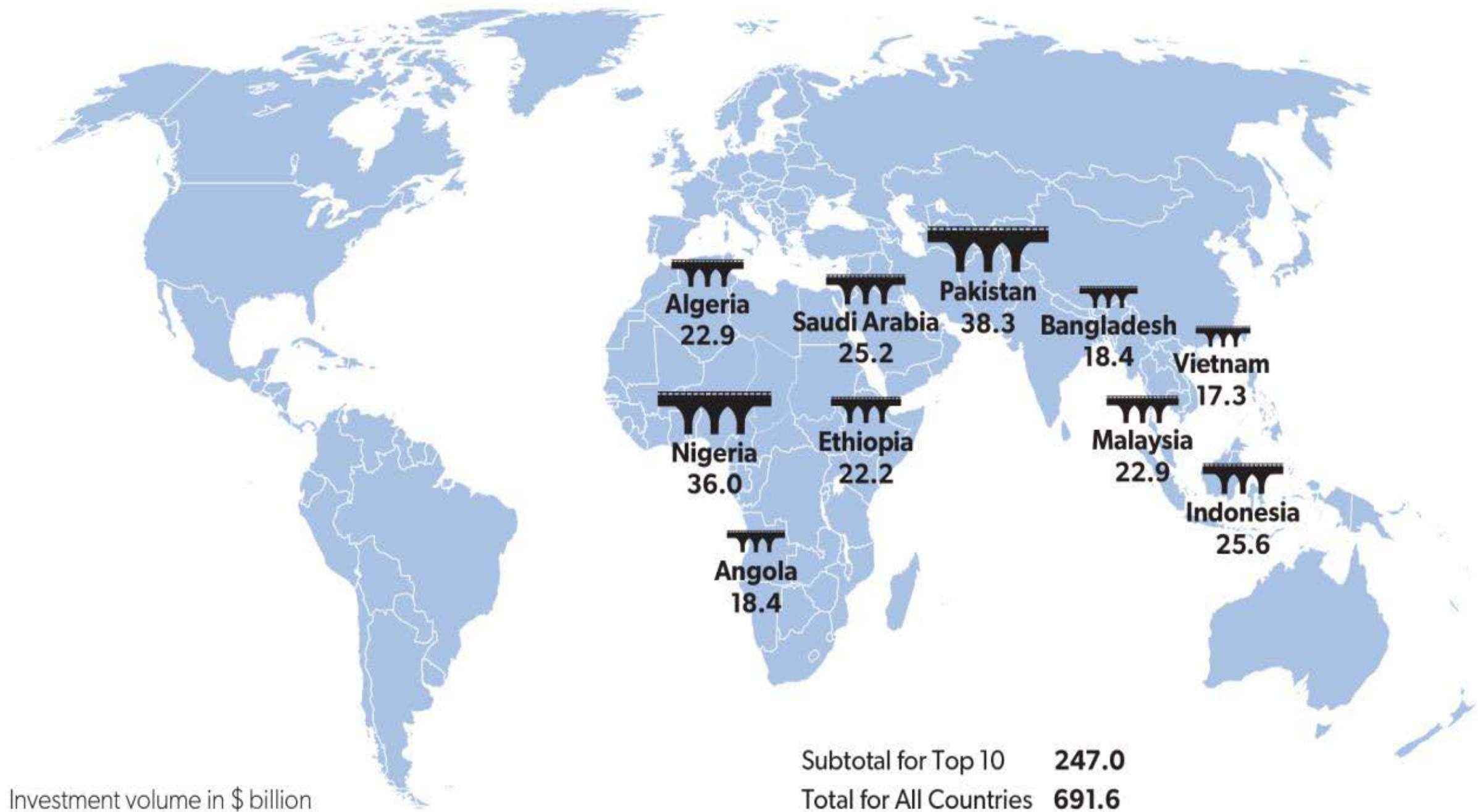
Bird's Eye View 2017

[DOWNLOAD INFOGRAPHIC](#)

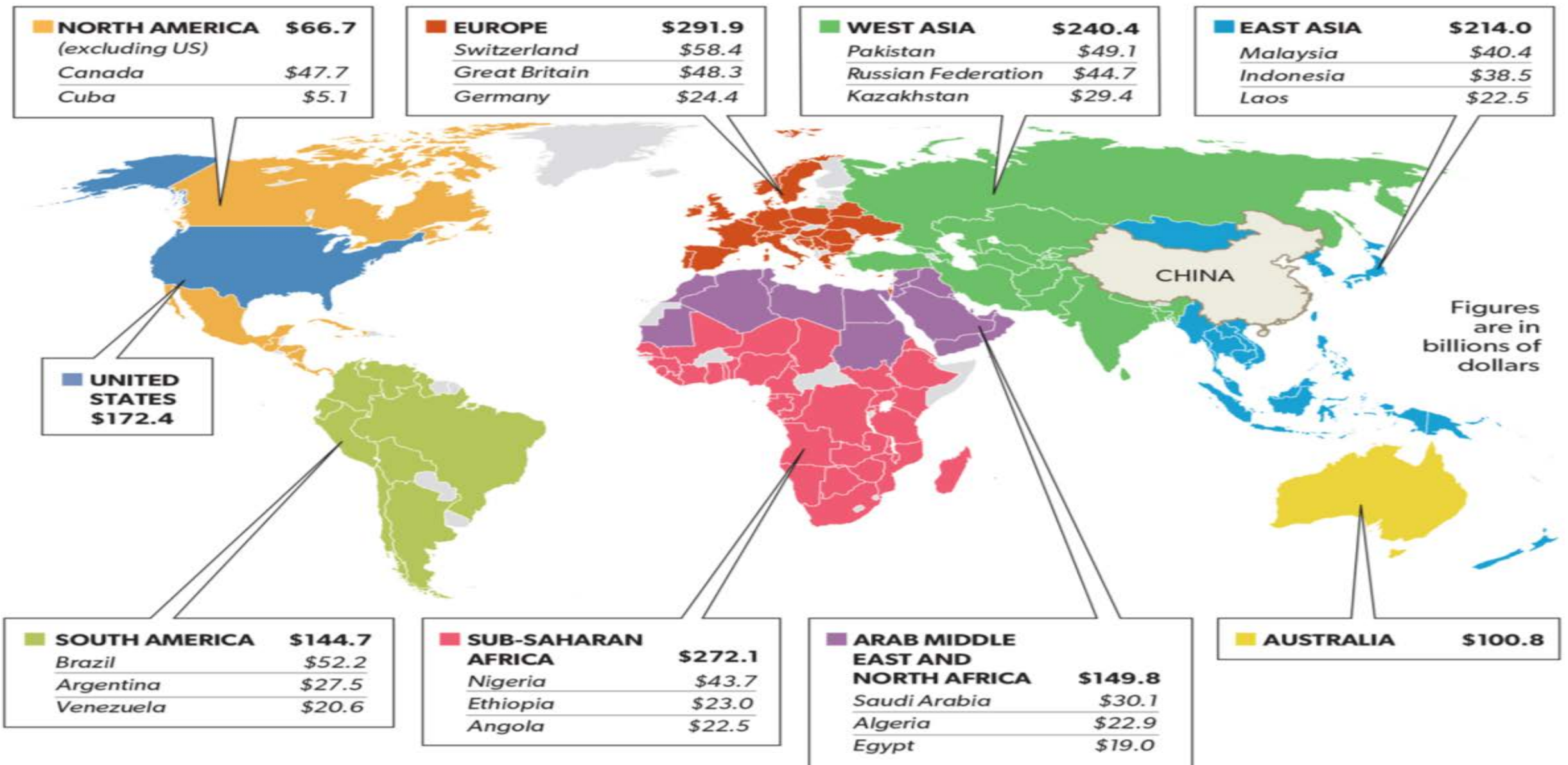


China FDI outflow till July 2017





From 2005 through 2017, the combined value of China's investment and construction exceeded \$1.6 trillion globally. More developed economies, topped by the US and Australia, attract the most investment. (Switzerland's place is due to one mega-deal.) Developing economies, such as Pakistan and Nigeria, see the most construction.



Overall investment by sectors

Investment vs utilities

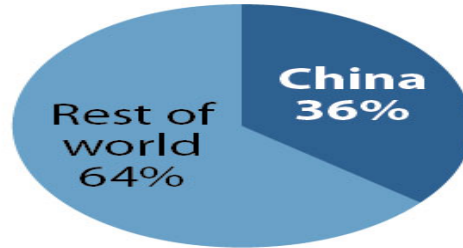
| Sector | Investment | Construction | Troubled |
|------------------|------------|--------------|----------|
| Energy and Power | 335.1 | 294.8 | 116.7 |
| Transport | 87.2 | 217.5 | 42.1 |
| Metals | 123.4 | 31.5 | 70.8 |
| Real Estate | 93.6 | 70.9 | 19.1 |
| Agriculture | 75.7 | 18.0 | 10.9 |
| Technology | 59.5 | 17.4 | 26.1 |
| Finance | 66.7 | ----- | 34.9 |
| Tourism | 35.8 | 5.6 | 7.4 |
| Entertainment | 35.4 | 2.6 | 1.6 |
| Chemicals | 11.2 | 8.8 | 1.9 |
| Others | 37.8 | 24.4 | 3.3 |
| | | | |
| Total | 961.4 | 691.6 | 334.7 |

| Year | Share |
|---------|-------|
| 2010 | 9.3% |
| 2011 | 11.7% |
| 2012 | 14.0% |
| 2013 | 30.4% |
| 2014 | 27.3% |
| 2015 | 33.5% |
| 2016 | 48.4% |
| 2017,H1 | 36.9% |
| | |

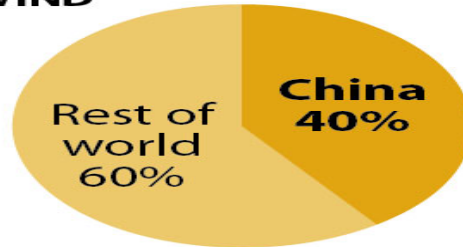
China's leading investme

China's Share of Global Renewable Capacity Growth, 2015-2021

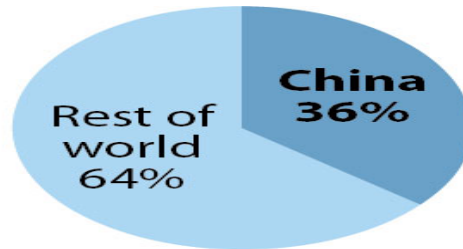
HYDROPOWER



WIND



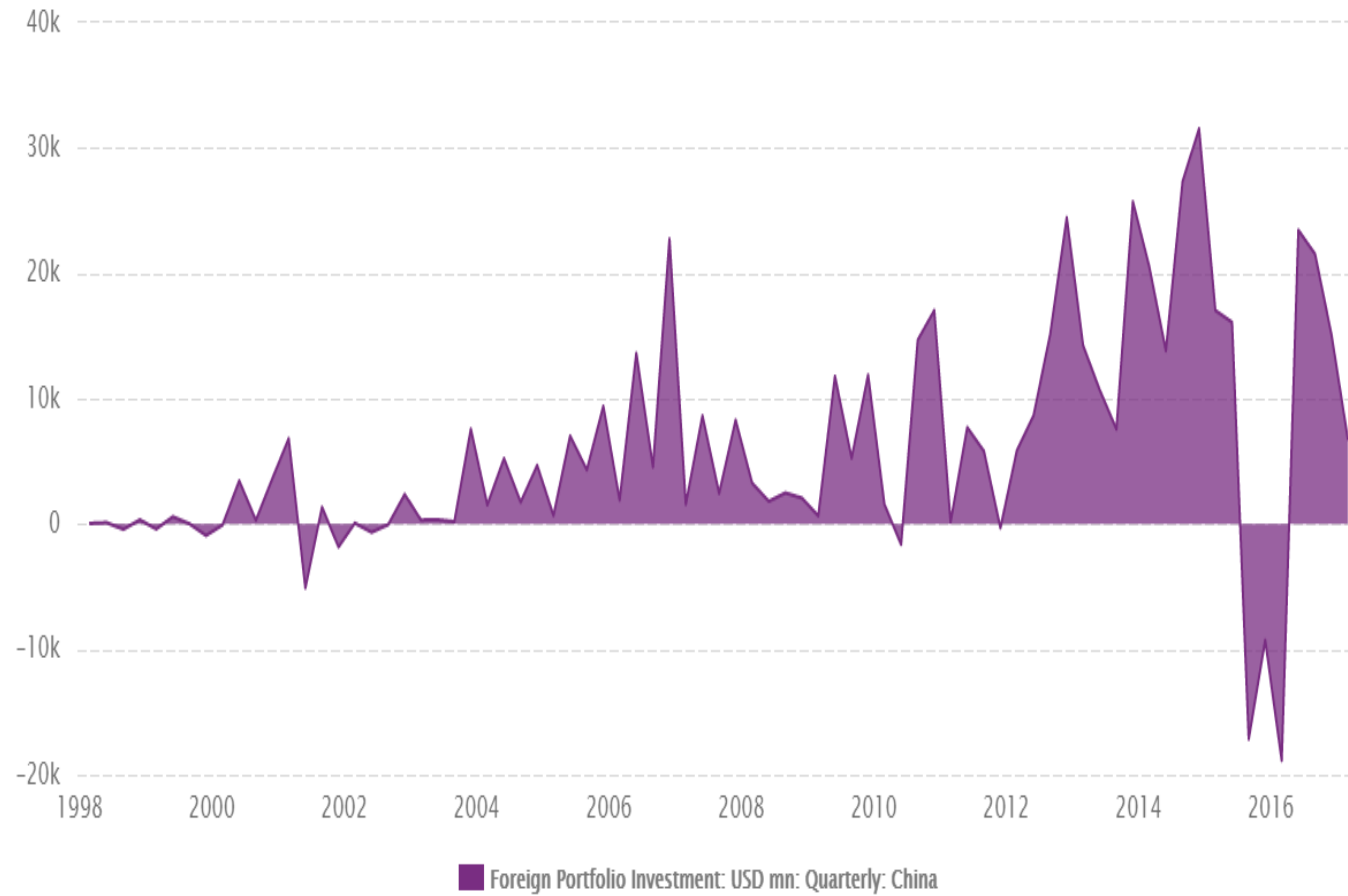
SOLAR PV



Source: IEA Medium-Term Renewable Energy Market Report 2016



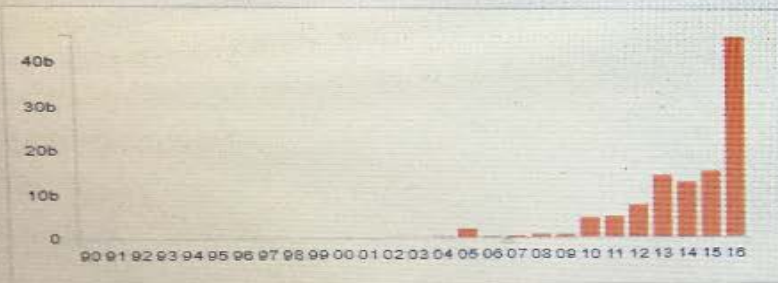
Chinese Portfolio FDI



SOURCE: WWW.CEICDATA.COM | CEIC Generate

Cross Country FDI

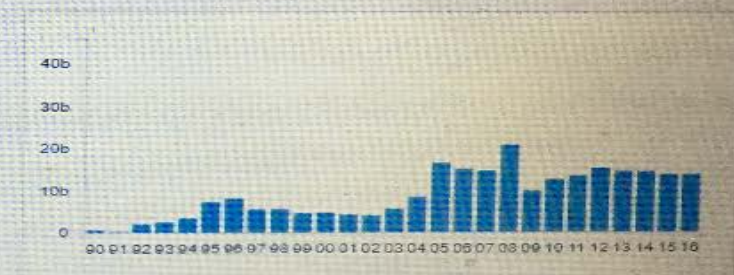
**Chinese FDI in All US Industries from
1990-2016: \$110.08bn**



ENTRY MODE

INVESTOR OWNERSHIP

**US FDI in All Chinese Industries from
1990-2016: \$242.57bn**



ENTRY MODE

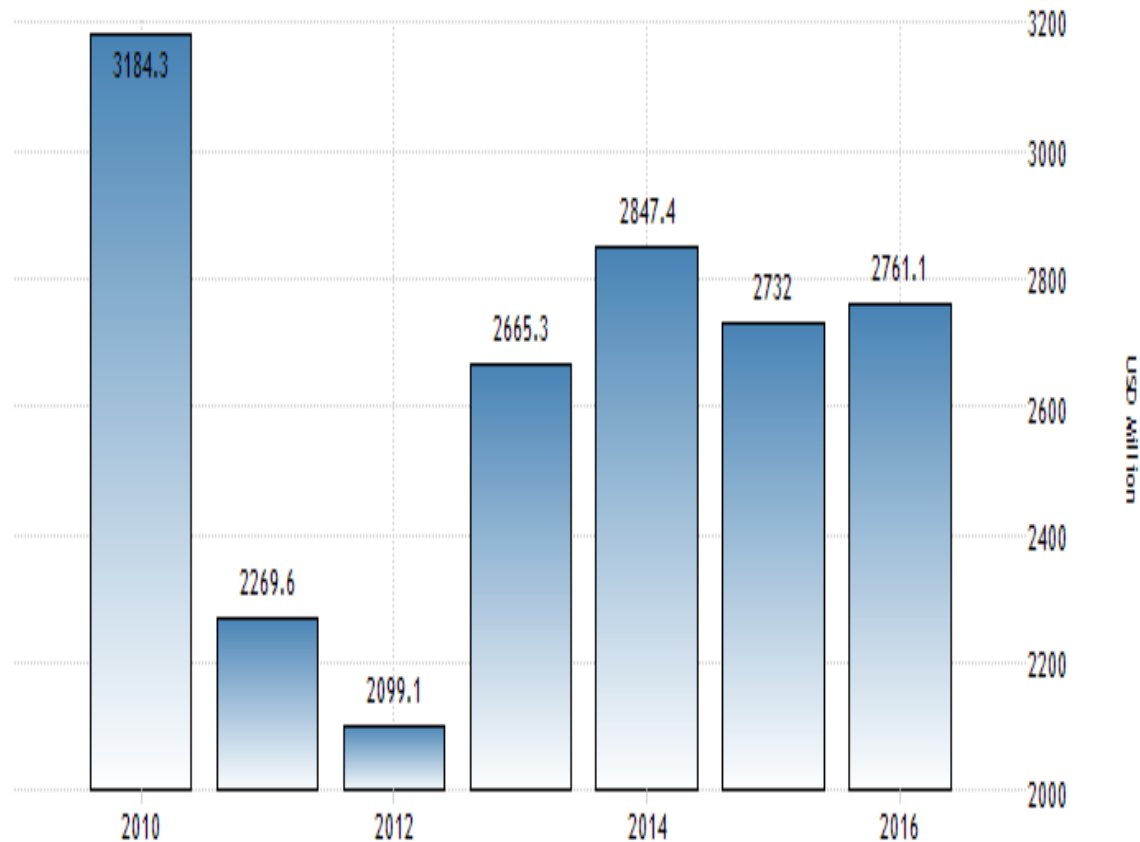
INVESTOR OWNERSHIP

OBOR and FDI

- More than 60 countries in various regions and economic groupings are located along the Belt and Road, with a combined inward FDI stock of nearly \$6 trillion and outward FDI stock above \$3 trillion. More than 50 agreements have been signed between China and its partners, covering six major international economic corridors.

FDI Inflow in Pakistan

PAKISTAN FOREIGN DIRECT INVESTMENT

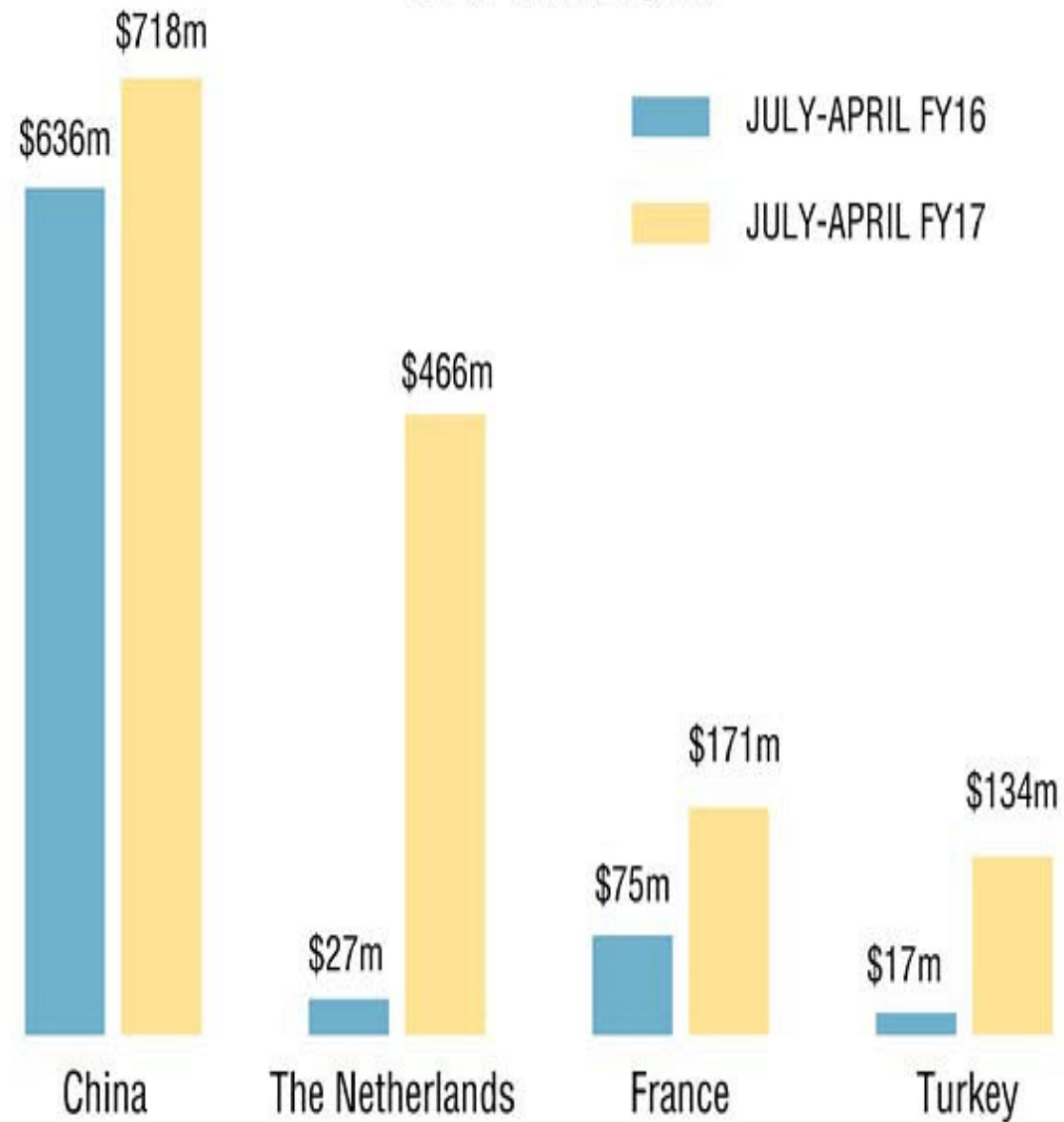


SOURCE: TRADINGECONOMICS.COM | STATE BANK OF PAKISTAN

Sector Wise FDI Inflows into Pakistan (\$ Million)

| Sectors | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 (Jul-Jan) |
|---------------------------------|----------------|----------------|--------------|----------------|----------------------|
| Oil & Gas | 559.6 | 502.0 | 246.1 | 261.6 | 92.9 |
| Financial Business | 314.2 | 192.8 | 256.4 | 28.2 | 9.5 |
| Textiles | 10.0 | (0.2) | 43.9 | 21.0 | 25.8 |
| Trade | 5.7 | (3.2) | 50.0 | 30.1 | 19.3 |
| Construction | 46.0 | 28.8 | 53.5 | 36.3 | 119.6 |
| Power | 28.4 | 71.4 | 201.7 | 566.6 | 245.3 |
| Chemicals | 71.6 | 94.9 | 55.3 | 64.6 | 18.2 |
| Transport | 44.1 | 2.7 | 6.2 | 36.8 | 27.2 |
| Communication (IT & Telecom) | (385.7) | 434.2 | 45.1 | 195.2 | (41.6) |
| Others | 765.5 | 375.2 | (107.0) | 40.7 | 645.3 |
| Total | 1,456.4 | 1,698.6 | 851.2 | 1,281.1 | 1,161.5 |

FDI INFLOW



Chinese FDI in Pakistan During 1999-2017

| YEAR | INFLOWS (\$ Million) |
|------------------------|----------------------|
| 1999-00 | 10.5 |
| 2000-01 | 0.1 |
| 2001-02 | 0.3 |
| 2002-03 | 3.0 |
| 2003-04 | 14.3 |
| 2004-05 | 0.4 |
| 2005-06 | 1.7 |
| 2006-07 | 712.1 |
| 2007-08 | 13.7 |
| 2008-09 | 101.4 |
| 2009-10 | 3.6 |
| 2010-11 | 47.4 |
| 2011-12 | 126.1 |
| 2012-13 | 90.6 |
| 2013-14 | 695.8 |
| 2014-15 | 255.3 |
| 2015-16 | 593.9 |
| 2016-17 (Jul – Apr) | 718.3 |

Analysis

- A short term slowdown is seen 2017, driven both by China's temporary measures to slow capital outflows and tougher screening of inbound deals in the US and Europe.
- Investment vs construction
- Further as far as CPEC is concerned, there is difference between Investments and construction and that is about ownership.
- China's most emphasis not to buy rather to build which ultimately will lead towards the investments which is the best way to diversify and globalize.

Comparison of Chinese FDI Sources

| Year | CGIT | Ministry of Commerce |
|---------|-------|----------------------|
| 2005 | 10.2 | 12.3 |
| 2006 | 19.8 | 21.2 |
| 2007 | 30.1 | 26.5 |
| 2008 | 54.7 | 55.9 |
| 2009 | 57.9 | 56.5 |
| 2010 | 66.4 | 68.8 |
| 2011 | 67.6 | 74.7 |
| 2012 | 80.8 | 87.8 |
| 2013 | 84.0 | 92.2 |
| 2014 | 104.9 | 107.2 |
| 2015 | 116.7 | 118.0 |
| 2016 | 171.2 | 170.1 |
| 2017,H1 | 97.1 | 83.0 |
| | | |
| Total | 961.4 | 974.7 |

Sources

- <http://www.aei.org/china-global-investment-tracker/>
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- U.S. Direct Investment Abroad: Trends and Current Issues James K. Jackson Specialist in International Trade and Finance June 29, 2017
- <https://fas.org/sgp/crs/misc/RS21118.pdf>
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