

# Chinese Overseas Investment: Theoretical weaknesses and political prejudice

**Multilateralism & China-US-EU Relations**

China, Europe and the US: New Economic Landscape

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## Outline: Five questions. many answers

1. Why Chinese outward investment became a concern for some countries?
2. Is FDI conventional theory sufficient to explain Chinese FDI?
3. What makes Chinese investment abroad specific ?
4. Who benefits from Chinese investment?
5. What is the prospect for Chinese FDI?

1. Why Chinese outward investment became a concern for some countries?

New regulations and restrictions

# What makes the Chinese overseas investment **misunderstood**

- Exaggeration of Chinese FDI size and impact
- Prevailing SOEs overseas investment
- Digital Advancement
- Focus on sensitive sectors
- Small share of EU and USA FDI in China create the perception of lack of reciprocity (green field)
- Limited studies

## 2. Is FDI conventional theory sufficient to explain Chinese FDI?

Challenges for conventional theory

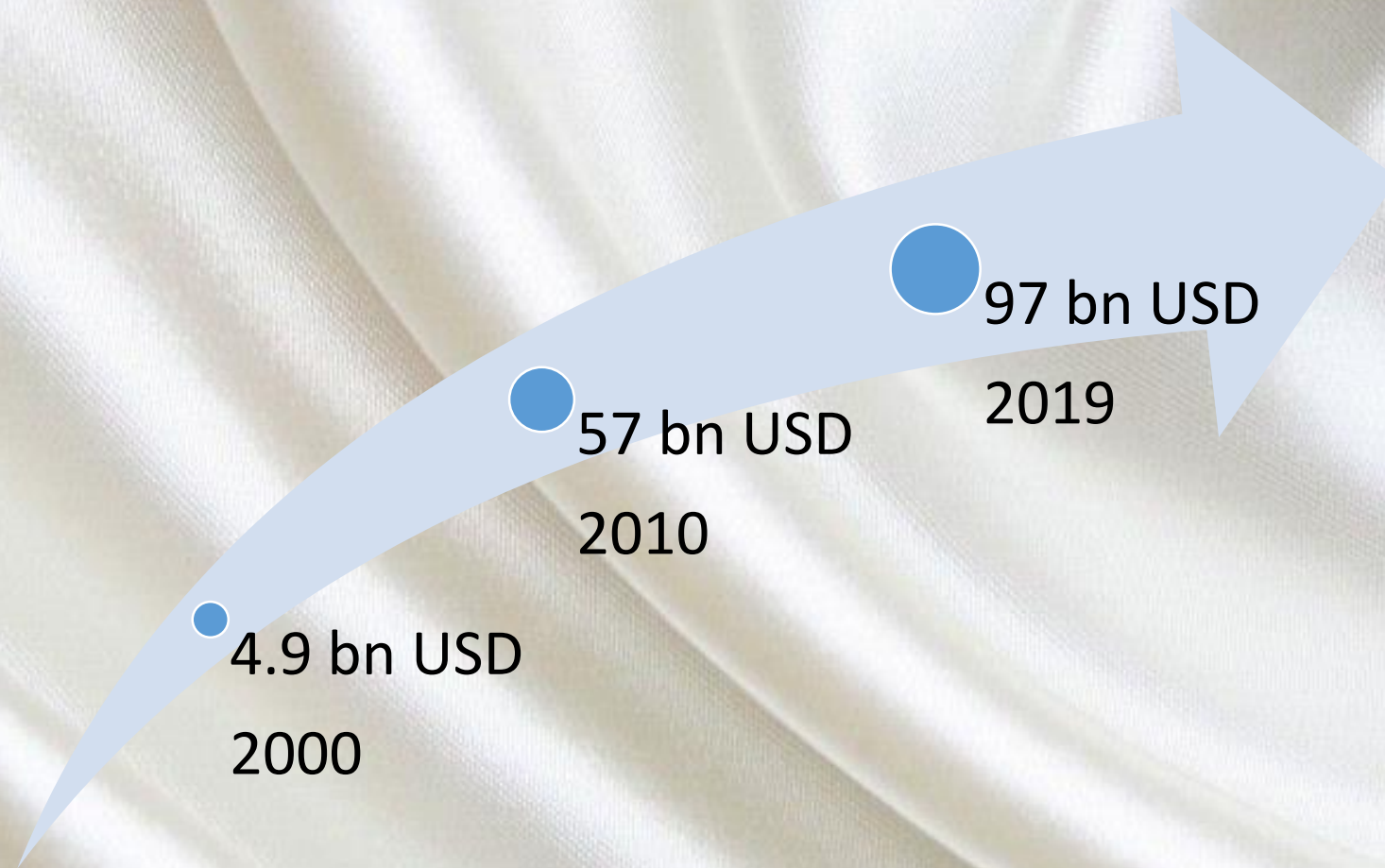
# Conventional theory against the new developments

- Different concept of Chinese theory and conventional theory
- What drives Chinese investment abroad is a mixture of factors that could fit the Eclectic FDI theory (Dunning)
- Chinese theories and research focus mainly on the regulatory factors and political economy of FDI

### 3. What makes Chinese investment abroad specific ?

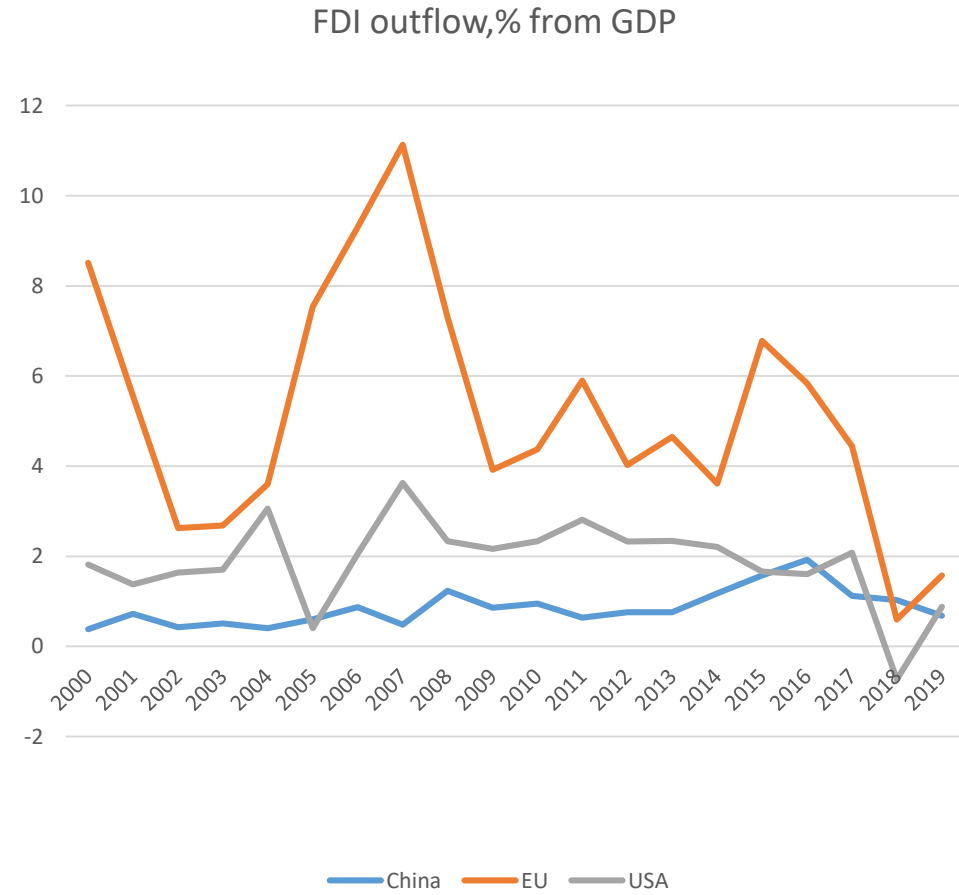
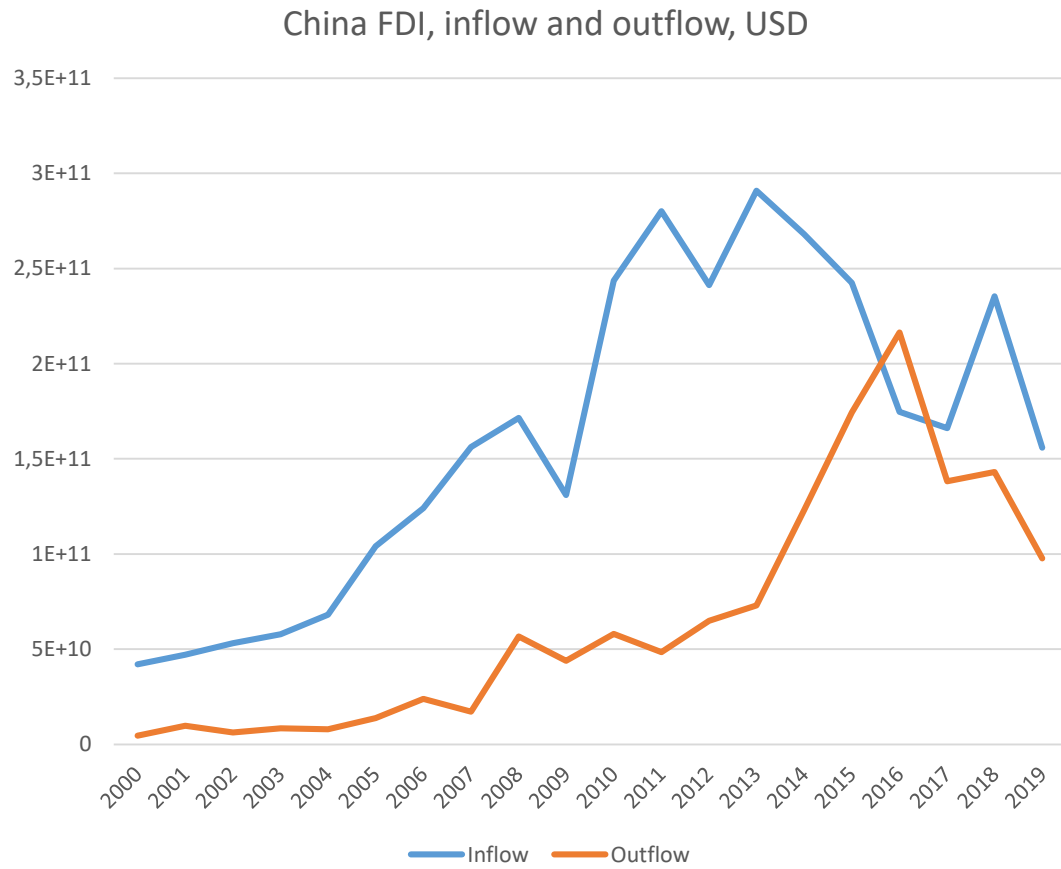
Factors and motivation

# China as a global FDI provider: Growing FDI





# Chinese FDI outflow



# FDI growing but still below the potential

- Chinese FDI: 5% of global FDI outflow; US FDI 15% and the EU 20% in 2019
- Chinese FDI outflow only 0.68% from GDP, EU 12% (2007)
- China remains net importer of FDI with 155.8 bn USD inflow and 97.8 bn outflow in 2019
- EU investment in China according to CBS are 11.2 bn (8,3%) from the total
- Only 11% of Chinese FDI in IT sector

# What is specific about Chinese overseas investment

- Chinese investment is directed mainly to Asia (55,6% in Hong Kong), relatively small part to the EU and USA . Huge outflow to special jurisdictions
- Fragmented structure: Huge overseas Chinese companies combined with small companies
- State owned enterprises more internationalised
- Regulation of inward and outward FDI (managed vs free FDI), so called “strategic investment” and Government support

## 4. Who benefits from Chinese FDI?

Controversial study results

# Study results

- The impact of Chinese FDI depending on sectors (Prevailing positive results)
- Trade is the main beneficiary in both inward and outward investment
- Penetration of Chinese brands abroad and M&A in major European brands (Italy)

## 5. What is the prospect for Chinese FDI?

Cooperation and transparency

# How to unlock the potential of FDI

- Reducing administrative burden and obstacles to both FDI in China and FDI from China
- China plays an important role in the post-COVID economic recovery and Chinese inward and outward investment may play a role
- Changing the perceptions: Convergence of theories, definitions, statistics; more impact assessment and research

*Thank you*