

FTA and outward FDI : what China aspires

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Elements of Chinese perspective

- The idea of FTA
- FTA in China's economic reform and transformation
- Significance of ChAFTA
- Free trade “zone” in Chinese
- International trade and FDI
- Outward FDI in China's “going out” strategy
 - Foreign reserves : 2008 : US\$1.95 trillions; 2013: US\$3.82 trillions
- Creating conditions to help achieve success in the “going out” strategy

Chinese FDI Inflow and Outflow

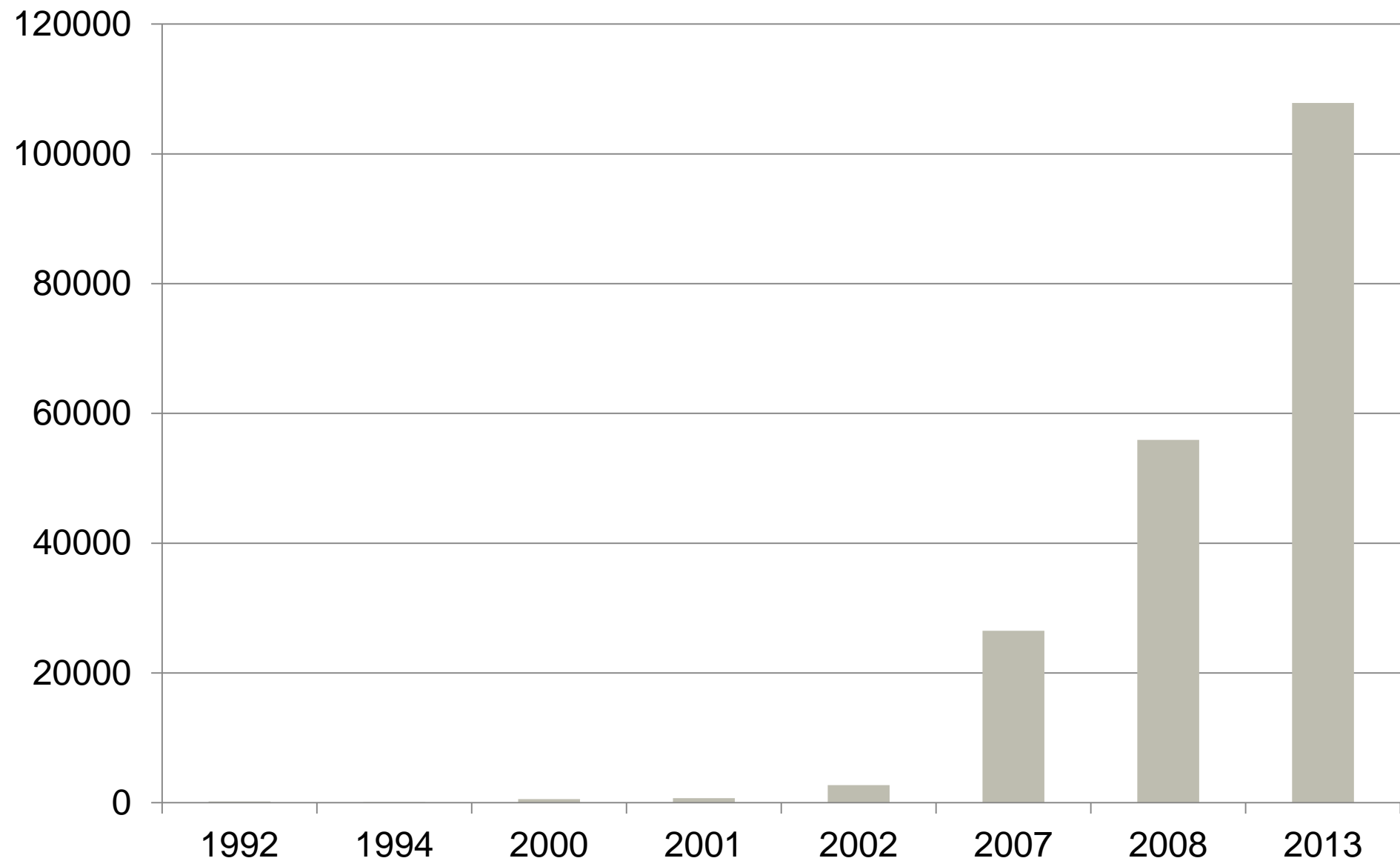
(USD billion)

	2008	2009	2010	2011	2012	2013	2014
Outflow	55.9	56.5	68.8	74.7	87.8	101	116
Inflow	83.5	108.3	95.0	114.7	124	121.1	124

Source: World Investment Report 2015

Chinese Outward FDI, Selected Years 1992-2014

US million



FDI flows overview, by region, 2012-2014

Region	FDI inflows			FDI outflows		
	2012	2013	2014	2012	2013	2014
World	1 403	1 467	1 228	1 284	1 306	1 354
Developed economies	679	697	499	873	834	823
Europe	401	326	289	376	317	316
North America	209	301	146	365	379	390
Developing economies	639	671	681	357	381	468
Africa	56	54	54	12	16	13
Asia	401	428	465	299	335	432
East and South-East Asia	321	348	381	266	292	383
South Asia	32	36	41	10	2	11
West Asia	48	45	43	23	41	38
Latin America and the Caribbean	178	186	159	44	28	23
Oceania	4	3	3	2	1	0
Transition economies	85	100	48	54	91	63
Structurally weak, vulnerable and small economies ^a	58	51	52	10	13	10
LDCs	24	22	23	5	7	3
LLDCs	34	30	29	2	4	6
SIDS	7	6	7	2	1	1

Source: WIR 2015

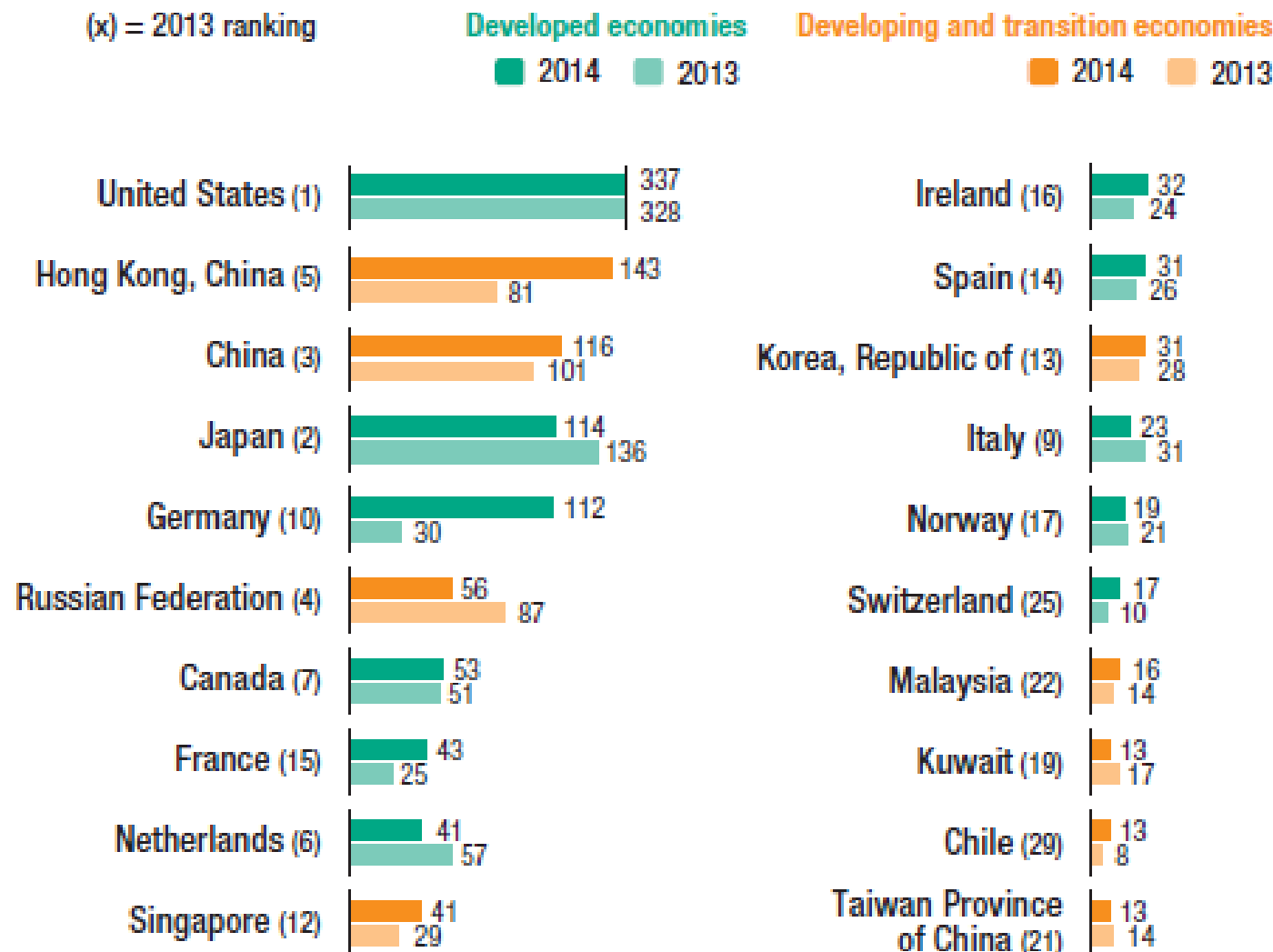
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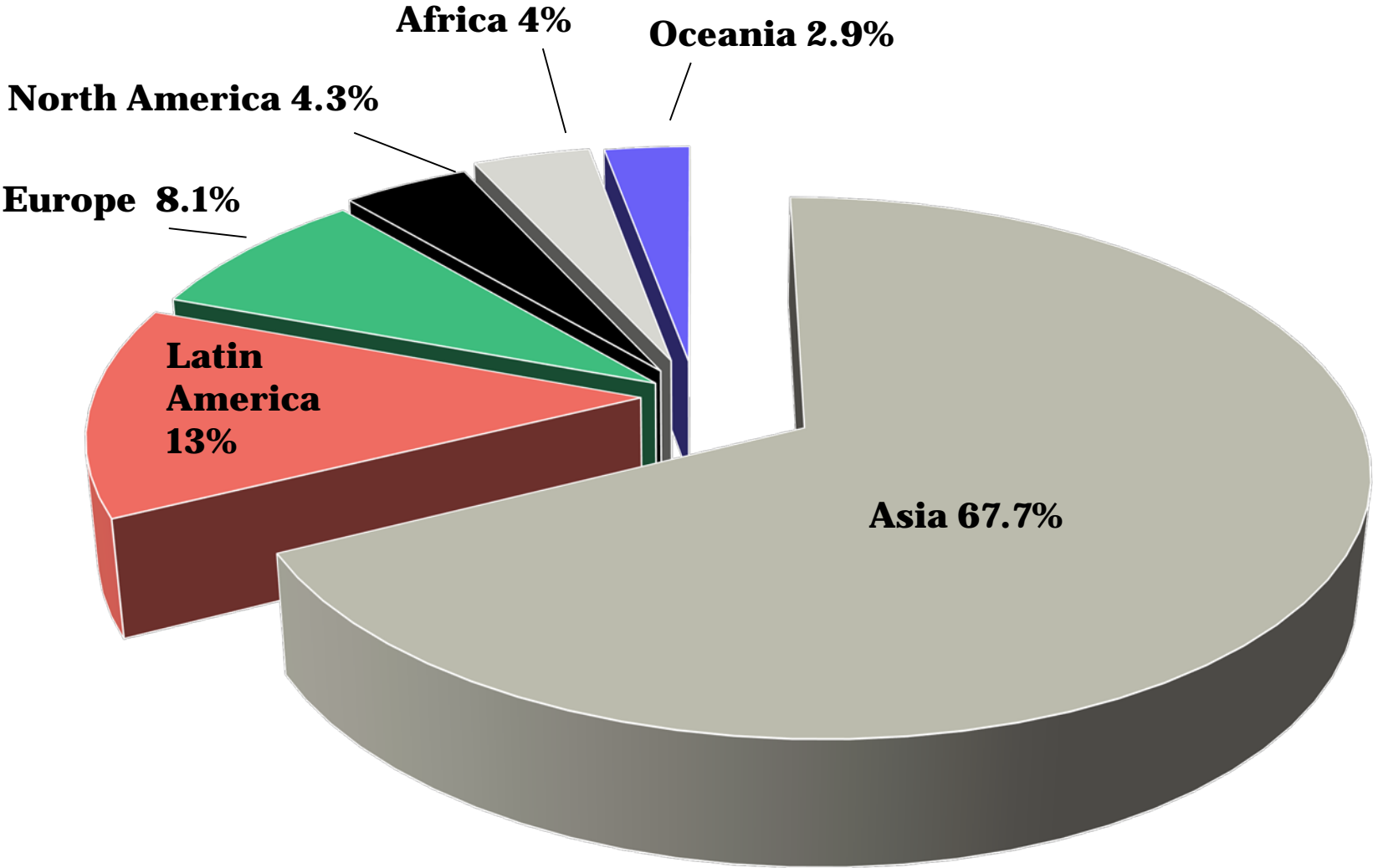
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Global FDI outflows: top home economies, 2013 and 2014 (billions US dollars)

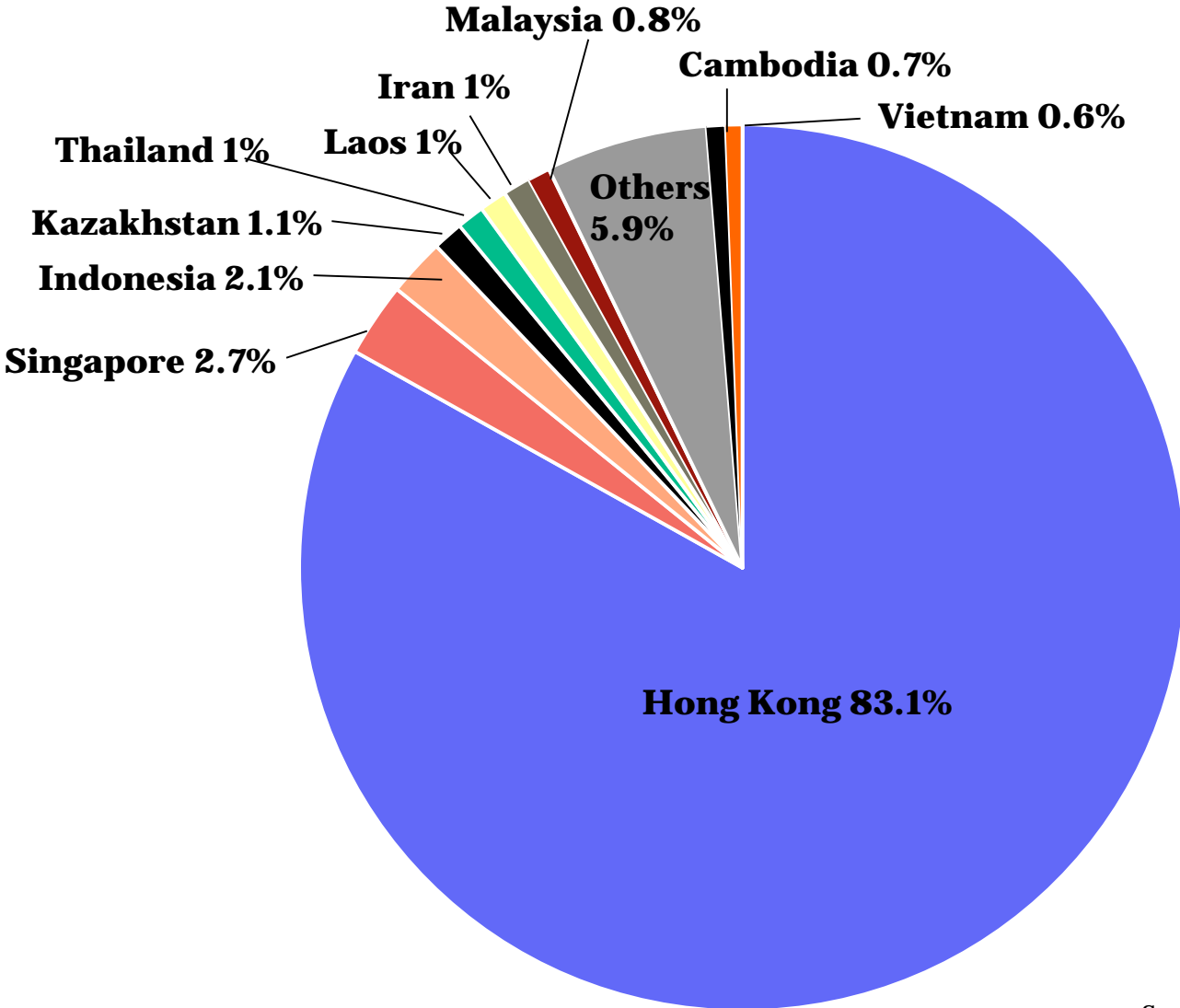


Global Destinations of Chinese Outward FDI, Stock 2013



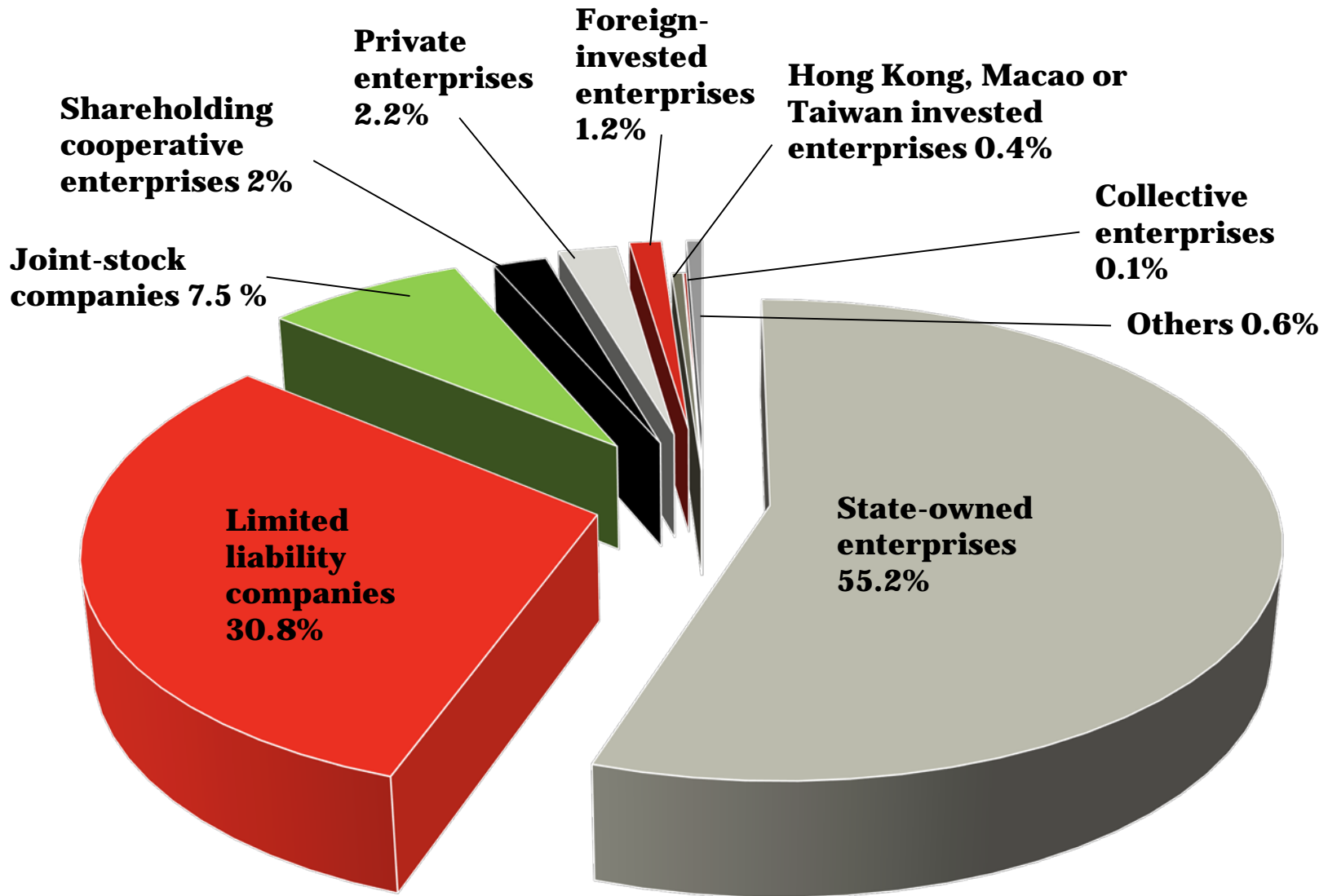
Source: Chinese Ministry of Commerce

Asian Destinations of Chinese Outward FDI Flows 2013



Source: Chinese Ministry of

Chinese Outward FDI Investors, Stock 2013



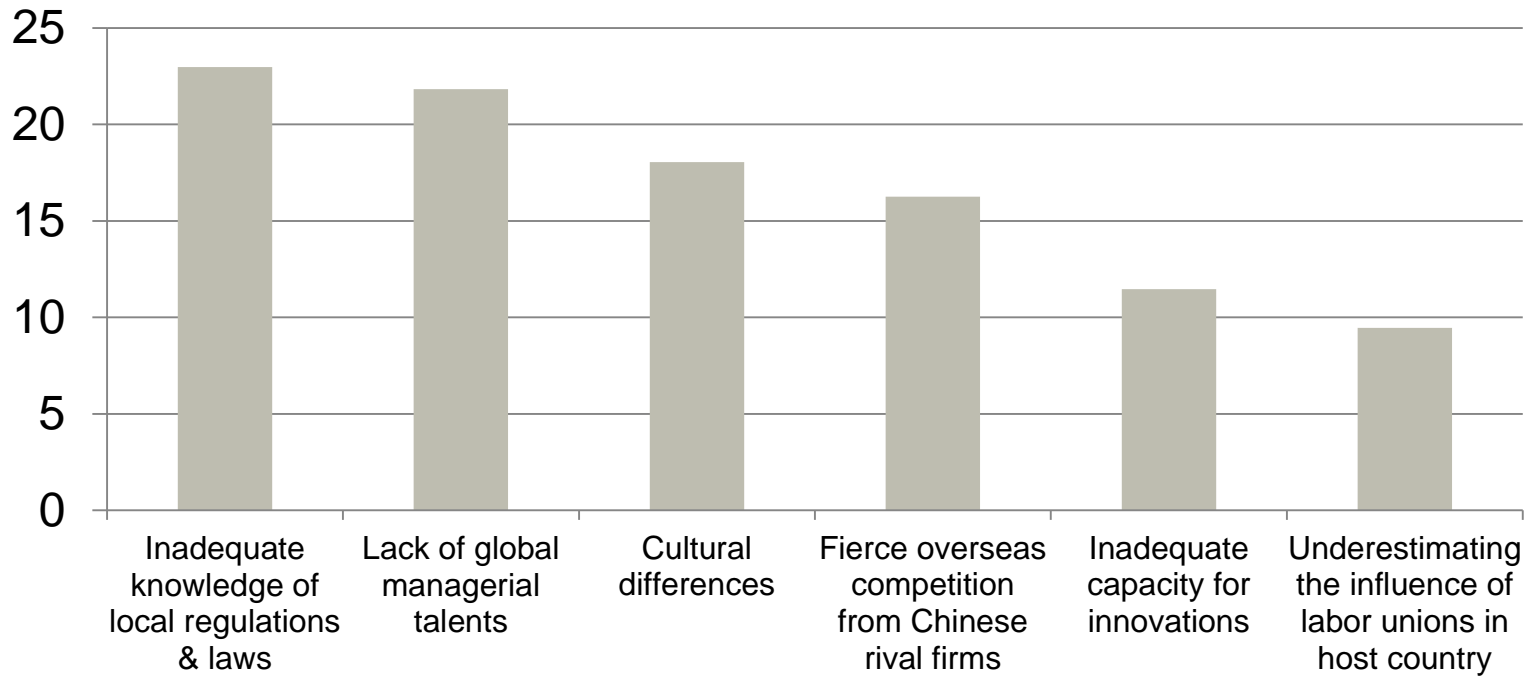
Source: Chinese Ministry of Commerce

Recognition of issues affecting success

- Recognition of significant gap in the quality of management, operations, skills, financial sophistication, and risk management between firms from China and advanced market economies.
- Need to work with local rules, to meet regulatory compliance, and address cultural differences.

Major challenges for Chinese companies going global

■ Percentage



Source: Center for China & Globalization

2014 Chinese Outward FDI

	Value (US\$ billion)	
Realised FDI	102.89	14.1% (annual growth)
Equity and other investments	86.09	83.7%
Reinvestment of profits	16.80	16.3%

Source: Chinese Ministry of Commerce

2014 Chinese Overseas Project Contracts

	Value (US\$ billion)	Annual Growth
Completed Project Contracts	142.41	3.8%
New Project Contracts	191.76	11.7%

Source: Chinese Ministry of Commerce

2014 Chinese Outflow of Contract Workers

	Number of people (thousand)	Annual Increase (thousand)
Contract workers	562	35
Contract project	269	
Labor service cooperation	293	
Contract workers at end of 2014	1,006	153

Source: Chinese Ministry of Commerce