Inward FDI in China and its policy context in 2012

Ken Davies

Abstract: China remains the pre-eminent recipient of inward foreign direct investment (IFDI) among developing countries. FDI flows to the country continued to rise even during and after the recent global financial and economic crises, when many multinational enterprises (MNEs) found themselves in difficulties, demonstrating the continuing popularity of China as an investment destination. Nonetheless, other developing countries, such as Indonesia and Vietnam, are starting to steal China's thunder, offering themselves as cheaper alternatives. Although FDI stock in China reached a new high of US$ 711 billion in 2011, IFDI attraction is losing its former high priority in the Government's arsenal of economic policies, especially as the focus is turned ever more sharply on promoting outward investment. Now that domestic enterprises have taken over most of the functions provided by foreign investment in the first two decades of economic reform (i.e., the 1980s and 1990s), IFDI policies are being concentrated on honing the investment attraction effort to bring in foreign investments capable of filling gaps in the country's industrial structure and helping China meet policy goals such as environmental protection and energy conservation.

Keywords: China, FDI, Development, Policy

1. Trends and developments

1.1. Country level developments[1]

By 2011, China had accumulated an IFDI stock of US$ 711 billion, well ahead of such other large developing and transition economies as Brazil, with US$ 607 billion, India, with US$ 202 billion, and Russia, with US$ 457 billion (annex table 1).[2]

In 2011, FDI inflows to China reached US$ 124 billion (annex table 2). From 2000 to 2011, China received larger FDI inflows than any other developing or transition economy.[3] These flows reached US$ 108 billion in 2008; by comparison, 2008 IFDI flows to Brazil were US$ 45 billion, India US$ 43

[1] The historical background and the longer-term development of inward FDI in China were analyzed in a previous *Columbia FDI Profile* (see Ken Davies, "Inward FDI in China and its policy context," *Columbia FDI Profiles* (ISSN 2159-2268), October 18, 2010, available at: www.vcc.columbia.edu.) The present *Profile* is an update of that *Profile* and extends the analysis to developments with respect to IFDI in 2011.

[2] In 2005, China recalculated its FDI stock figures, which had hitherto been simple additions of annual flows, to bring them more in line with internationally recognized standards such as the OECD Benchmark Definition of FDI. The result was an approximate halving of the original estimate. Current figures are therefore understood to take account of disinvestments. An explanation of the divergence of Chinese FDI statistics from internationally standard practices is in OECD, *Investment Policy Reviews: China 2003 -- Progress and Reform Challenges* (Paris: OECD, 2003).

[3] Based on statistics for all countries maintained in the UNCTAD FDI Statistical Database website UNCTADstat, http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx, retrieved on May 31, 2012.

billion and Russia US$ 75 billion (annex table 2). In 2009, China's FDI inflows fell to US$ 95 billion as a result of the global economic crisis, then recovered strongly in 2010, when they reached US$ 115 billion and rose further to US$ 124 billion in 2011, while India's IFDI flows fell continuously since their peak in 2008 to US$ 24 billion in 2010 before making a partial recovery to US$ 32 billion in 2011. Russian IFDI flows recovered from their 2009 plunge to US$ 43 billion in 2010 and US$ 53 billion in 2011, and Brazilian IFDI flows followed a similar recovery reaching US$ 49 billion in 2010 and US$ 59 billion in 2011 (annex table 2). The relatively good performance of China's IFDI during both the Asian crisis of 1997-1998 and the recent global crises reflects international investor perceptions of China as a reliable risk-avoidance haven and even a potential locomotive of global growth in years to come, as it moves steadily toward becoming the world's largest economy.

Partly because of China's World Trade Organization (WTO) commitments to a phased opening up of services to foreign participation during the five years following accession in December 2001, the share of the tertiary sector in total IFDI flows rose from 31% in 2001 to 39% in 2010. At the same time, the share of the secondary sector declined from 66% to 58% and the always relatively tiny share of the primary sector shrank from 4% to under 3% (annex table 3).

While IFDI in manufacturing rose from US$ 31 billion (utilized) in 2001 to US$ 1,400 billion (contractual value) in 2010, the sector's share of total IFDI stock declined from 66% to 58% (annex table 3). The decline reflects a more rapid rise in IFDI in services, including, among others, financial services. Since 2002, foreigners can participate in China's stock markets as qualified foreign institutional investors (QFIIs); as the qualifications required have become less strict, an increasing number of QFIIs have set up offices in China.[4] Foreign banks have also expanded their operations as these have been increasingly allowed to conduct various banking services, including foreign currency services, for Chinese enterprises since 2002, Chinese yuan services since 2006 and credit card issuance since 2007. At the same time, while the burgeoning domestic market has continued to attract manufacturers, the increase in labor costs, more recently resulting from a wave of strikes in foreign affiliates, has prompted foreign investors to plan new investments in lower-cost economies such as Vietnam and Bangladesh.

China's IFDI is mainly sourced in Asian economies. As of 2010, 41% of China's IFDI stock was from Hong Kong (China), 7% from Japan, 5% from Taiwan Province of China, 4% from the Republic of Korea, and 4% from Singapore. The British Virgin Islands provided 10%, more than the United States and the European Union (EU) each of which supplied 7%; the major sources of EU FDI in China were the United Kingdom and Germany (each with just under 2% of total IFDI). The Cayman Islands supplied about the same proportion, 2%, as the United Kingdom (annex table 4).

A major obstacle to providing an accurate account of the geographic distribution of China's IFDI sources is the high proportion circuited through Hong Kong (China) and through Caribbean and other tax havens. Matching IFDI and OFDI figures for Hong Kong (China) suggest that much of those flows are passing

[4] According to the QFII list announced by the China Securities Regulatory Commission in February 2011, the number of QFIIs increased to 107 in China's capital market, and total QFII investment rose from US$ 4 billion in the pilot period of 2002 to US$ 30 billion in 2007. Cited from Wu Weihua, "Are qualified foreign institutional investors real investors or speculators: Evidence from China (May 10, 2011). Available at SSRN: http://ssrn.com/abstract=2056056 or http://dx.doi.org/10.2139/ssrn.2056056.

through, from and to China, and include an element of round-tripping,[5] though it is also important to note that there is substantial investment from Hong Kong (China) in China's burgeoning property sector and a good part of it is likely to be from domestic enterprises in Hong Kong. IFDI is concentrated in China's eastern coastal regions, especially in Guangdong and Shanghai. Guangdong's attractiveness as an FDI destination in the 1980s was mainly due to its light regulation, relative remoteness from the capital, Beijing (and therefore from central government control), its proximity to the region's largest port, Hong Kong (China) that was seeking to shed its manufacturing sector, and the fact that it contained all but one of the country's special economic zones (SEZs).[6] Shanghai, with its strong industrial base and its advantageous location as a major port at the mouth of the Yangtze, also drew large amounts of IFDI.

A third major region, in the old industrial heartland of North-East coastal China, has also developed and is striving to attract FDI. Attempts to boost FDI in China's less-developed interior, namely Central and West China, are continuing.[7] But while the physical infrastructure has been greatly improved and lower labor costs are making the hinterland more attractive as wage pressures mount in Guangdong, the developed coastal regions, with their more developed business environments and local markets, remain the largest recipients of IFDI.

1.2. The corporate players

Many Fortune Global 500 companies are present in China. The official list of the largest foreign affiliates by sales value in 2008 includes Nokia in second place and GM's Shanghai affiliate in eighth place (annex table 5). The Foxconn Technology Group of Taiwan Province of China owns the largest foreign affiliate, Hongfujin Precision Industry.

In 2008-2010 inbound merger and acquisition (M&A) deals have been spread across a diverse range of industries, including pharmaceuticals, natural gas transmission, copper mining, soybean milling, banking, semiconductors, frozen fruit and vegetables, industrial organic chemicals, beer and cement. Acquiring firms have come from all over the world including Hong Kong, (China), Republic of Korea, Singapore, Canada and the United States. This wide sectoral and geographical dispersion illustrates the continuing openness of China to IFDI and its continuing popularity as an investment destination. Deal size, though, is not particularly large. The average transaction size of the top 16 deals in 2010 was US$ 570 million, and for those in 2009 the average transaction value was US$ 881 million (annex table 6). Caution needs to be exercised in interpreting this information: the list includes Chinese companies like China Resources Gas Group Ltd. based in Hong Kong (China), which is one of the oldest companies to be established there by a mainland entity, and China Gold International Resources, via its Canadian affiliate.

[5] "Round-tripping" refers here to the practice of Chinese investors setting up special purpose entities in territories outside China, including Hong Kong (China), which is treated as a source of foreign investment by the Chinese authorities, to invest in China and so benefit from fiscal incentives offered to foreign investors. Since it is often intended to deceive the authorities, round-tripping is impossible to estimate. The practice may be in decline as a result of the abolition of foreign investment incentives from 2008, and tighter reporting standards for special purpose entities established abroad by Chinese companies since 2006. For details, see OECD, *Investment Policy Reviews: China 2008 – Encouraging Responsible Business Practice* (Paris: OECD, 2008).

[6] These factors are explained more fully by the author in OECD (2003), *op. cit.*

[7] For a fuller treatment of China's regional FDI policy by the author, including the existing incentive policy and recommendations for further improvement, see OECD (2003), *op. cit.*

Recent large greenfield investments also show a tendency to focus on China's domestic market. The domestic market has always been the main target of foreign investors -- even in the early days of the 1980s when China wanted them to confine themselves to export manufacturing as it kept its domestic market closed. Current policy as stated in the 12th Five Year Plan is now the reverse: the economy is to be restructured to give more weight to the relatively underdeveloped domestic market and de-emphasize exports, and FDI is to play its part by focusing on China's domestic market. Recent large greenfield investments aimed largely at the domestic market included automobiles and automobile components (by Daimler, Volkswagen, Yulon, Hyundai, BMW) (annex table 7), as China has become the world's largest car market.[8] However, although the country's cost base continues to rise by comparison with regional competitors, large investments in export manufacturing continue to be made. Recent examples include two greenfield investments in the chemicals sector by Chang Chun Group and Formosa Plastics, both from Taiwan Province of China.

The list of greenfield investments by inward investing firms in 2008-2010 also contains one or two Chinese companies based in places like Hong Kong (China), like China Merchants Holding. As with M&As, greenfield investments are made in many sectors and by MNEs from many countries. In 2010, regional investors – from Japan, Republic of Korea, Hong Kong (China), Taiwan Province of China – were particularly active in greenfield investment in China. Average investment size is rather larger than for cross-border M&As: US$ 1.3 billion in 2010 and US$ 1.5 billion in 2009.

2. Effects of the recent global crisis and policy scene

As noted in the first *Columbia FDI Profile* on China's IFDI[9], China was less seriously affected by the global financial and economic crisis than were many other countries because of its relatively small exposure to the US sub-prime market and its highly effective – though not cost-free – counter-crisis stimulus package. After having fallen by 12% in 2009 (leaving it still well above the 2007 level), IFDI flows recovered in 2010, rising by 21% to US$ 115 billion, above the peak of US$ 108 billion recorded in 2008. There was an FDI inflow of US$ 124 billion in 2011, an increase of 8% over that of 2010.

There has been no major change in the direction of China's policies toward inward FDI during 2009-2010. The Government has continued to liberalize the FDI framework in incremental steps.[10] In 2010, it raised the ceiling on provincial examination and approval authority over foreign investment projects in the "permitted" category of the Catalogue for the Guidance of Foreign Investment Industries,[11] from US$ 100 million to US$ 300 million. (The US$ 50 million ceiling on projects in the "restricted catalogue" remains

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[8] See, for example, "Factbox: China becomes the world's No.1 auto market," *Reuters*, January 8, 2010, retrieved on June 6, 2012 from the Reuters website at http://www.reuters.com/article/2010/01/08/us-auto-china-idUSTRE60722O20100108.

[9] Davies, *op. cit.*

[10] These steps, detailed in the following sentences, can be found in detail on the MOFCOM FDI website at www.fdi.gov.cn.

[11] The Catalogue for the Guidance of Foreign Investment Industries, promulgated by the State Council (China's cabinet) has, from its inception in 1999, divided foreign investment projects into prohibited, restricted, permitted, and encouraged categories. Lists of sectors included in each category are published, with the exception of the permitted category: sectors not listed in the three published categories are presumed to be open to foreign investment, unless they are closed or restricted by other regulations. See OECD, *Investment Policy Reviews: China -- Encouraging Responsible Business Conduct* (Paris: OECD, 2008), and Davies, *op. cit.*

unchanged.) In 2011, examination and approval procedures were removed from the establishment of a branch, which is not subject to any special requirement.[12]

There have been several decisions by MOFCOM in 2009-2011 on inbound (as well as on many domestic) M&A deals that were referred for merger control review under the 2008 Anti-Monopoly Law, which brought domestic enterprises into the orbit of such reviews, effectively abolishing discrimination against foreign investors in this regard.[13] Only one of these (Coca-Cola/Huiyuan) was rejected, but several others were allowed only with strong conditions. Although the Government's actions are perceived as "aggressive" and the procedures are often dragged out to the maximum (i.e., a full 30 days for each of two successive reviews), they have not prevented major global MNEs from continuing to invest in China.

In August 2011, China issued a set of detailed procedures for national security reviews of foreign acquisitions of domestic Chinese enterprises, effective September 1, 2011. The grounds for a review include the obvious one – that the enterprise to be acquired is in a military or military-related industry – but also the rather wider condition that the acquisition is in a category of industries classed as being related to "national economic security", including major agricultural products, major energy and resources, infrastructure, transport, and key technologies. It does not appear at present that this will stop inward cross-border M&A deals that would otherwise have gone ahead. Instead, it may simply make the approval process more transparent, as decisions now have to be taken explicitly on national security grounds, and those decisions have to be explained. The procedures could, however, be operated in a more protectionist vein if a future administration decided to raise barriers against foreign investment.

In December 2011, a further revision of the Catalogue for Guiding Foreign Investment Industries was promulgated, effective end-January 2012.[14] This revision follows the revisions of 2001 – when the Catalogue was liberalized to comply with obligations entered into, when China acceded to the WTO in December 2001 – and 2004 and 2007. The latest Catalogue continues the trend of introducing more encouragement to FDI in "green" sub-sectors, while adjusting the incentives mix to current industrial needs, such as for example promoting higher-end manufacturing and new-generation IT.

Full convertibility of the Chinese yuan (CNY or renminbi) is still far away. In the 1990s it was touted as a possibility by the end of the century, but this aim was thwarted by successive international economic crises, so the current goal of full convertibility in 2015 remains uncertain. Nevertheless, the Chinese Government is taking small steps toward it when it suits its trade and investment policies. A recent notice of the Ministry of Commerce allows foreign investors to invest with Chinese yuan obtained lawfully outside China. In practice, this means using the rapidly developing Chinese yuan market in Hong Kong (China), which is soon to be joined by a Chinese yuan market in the adjacent city of Shenzhen.

In recent years, the Government has been trying to rein in the over-rapid growth of fixed investment as part of its efforts both to rebalance the economy in favor of private consumption and away from dependence on fixed investment as the main driver of economic growth and, especially since the remarkably successful stimulus program that followed the onset of the global economic crisis, to curb the

[12] All these measures are detailed in the forthcoming *China Investment Policy Review Update 2012,* to be published by the OECD.

[13] For details, see *ibid*.

[14] MOFCOM FDI website at www.fdi.gov.cn.

runaway property market. This policy has coincided with a more selective approach to attracting FDI than was evident in the 1990s, when the emphasis was, in practice if not in theory, on maximizing the quantity of FDI. One result has been that the tightening of the real estate market during the first half of 2012 brought about a 12.4% year-on-year decrease in utilized FDI in real estate, far greater than the 3% overall decline in FDI.

3. Conclusions

There are several reasons to expect growth in China's FDI inflows to decelerate in 2012 and beyond, as has indeed been forecast by the Chinese Government itself.[15] Economic problems in home countries are likely to slow, or even diminish, the supply of IFDI. There will probably be only sluggish economic growth in the United States and Japan, while the United Kingdom and several large Eurozone economies may well experience a recession in 2012. Some large MNEs in these countries are going through a tough period when they will be more concerned with profitability, or even survival, rather than overseas expansion.

Extending the "jobless recovery" evident in those developed countries fortunate enough to be enjoying a recovery, many MNEs will continue to look abroad for cheaper labor, but they are decreasingly likely to find it in China. Wages have gone up markedly in China's export powerhouse, Guangdong, and will doubtless do so elsewhere as investors respond by moving inland. Lower-wage countries like Indonesia and Vietnam are already starting to benefit – quite consciously and actively – from this shift.[16]

Nevertheless, overall, China remains the most popular target for FDI among developing host countries. In the latest UNCTAD survey of MNEs, China ranked well above all the others in the number of times it was mentioned as a top priority.[17] Policy emphasis in China itself is switching toward promoting outward, rather than inward, investment, though national and sub-national investment promotion agencies will remain active in their efforts to encourage IFDI in activities considered important for China's rapidly growing economy and its sustainable development. Since the second half of the 2000, it has been apparent that fixed investment growth in China is unsustainably high – often in real-terms double-digit percentage growth in recent years[18] – and that fixed investment is an excessively large proportion of GDP.[19]

The authorities have striven to rein in fixed investment growth and achieve a rebalancing of the economy toward domestic consumption, while also curbing the growth of the country's absurdly high foreign

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[15] For example, see Liu Yajun, director general of MOFCOM's Department of Foreign Investment Administration, cited in *China Daily*, 6 January 2012.

[16] See, for example, the AT Kearney annual world investment prospects report entitled *Cautious Investors Feed a Tentative Recovery* on the AT Kearney website, retrieved on June 6, 2012 from http://www.atkearney.com/index.php/Publications/cautious-investors-feed-a-tentative-recovery.html; also Stephen Thomsen, Misuzu Otsuka and Boram Lee, *The Evolving Role of Southeast Asia in Global FDI Flows* (Paris: IFRI Center for Asian Studies, 2011).

[17] UNCTAD, *World Investment Prospects Survey 2010-2012* (Geneva: United Nations, 2010).

[18] Real-terms GDP series data showing this double-digit growth of gross fixed investment can be found in the annual *China Statistical Yearbook* published by the National Bureau of Statistics of China, passim.

[19] For a contrarian view, which also restates the received wisdom and the widely cited statistics, see "Capital controversy: China's "overinvestment" problem may be greatly overstated," in *The Economist*, April 14, 2012.

exchange reserves (US$ 3.2 trillion at the end of June 2012.[20] This environment is unlikely to encourage continued stress by policy-makers on pulling in foreign capital to prop up fixed investment, and focus is likely to shift to more specific objectives for attracting FDI. When the “open door” policy was initiated in the late 1970s, China did not have strong companies and export markets, let alone homegrown industries producing modern consumer goods, or a financial sector capable of financial intermediation. It does now. Many of the things that foreign companies needed to do can now be done by Chinese firms. Chinese corporations are now strong enough at home to be able to challenge foreign competitors, and they have their champions in the bureaucracy who consider foreign investment to be a malign influence.[21] So far, suggestions that the Government use the new Anti-Monopoly Law and national security screening procedures to protect domestic competitors appear to have been rejected in favor of operating these instruments in a fairly transparent, if sometimes time-consuming, manner, but there will undoubtedly be pressure on them from the domestic corporate sector to be tougher on foreign investors. It is also less necessary to use IFDI to attain global technological heights, as Chinese MNEs now have the money to undertake technology-gaining investments overseas, though they may still find it more convenient and quick to use IFDI for this purpose. Foreign-invested enterprises have consistently punched above their weight in creating millions of jobs in addition to the number of workers they employ directly. This is also something that Chinese companies can do, particularly the private sector SMEs, once they are let off the leash.

The Chinese Government is, for the above reasons, now far less motivated to attract large quantities of FDI, and far more interested in improving the quality of FDI. As noted, the latest Catalogue for Guiding Foreign Investment Industries continues the trend of encouraging FDI in “green” sub-sectors, while adjusting the incentives-mix to current industrial needs. While this shopping list is aspirational, it is also a clear indication that the Government is trying to move away from attracting labor-intensive, low technology investment and toward more efficient, more productive and less polluting investment.

[20] Information retrieved on June 6, 2012 from SAFE website at: http://www.safe.gov.cn/model_safe/tjsj/tjsj_detail.jsp?ID=110400000000000000,22&id=5, and on August 5, 2012 from Chinability website at www.chinability.com/Reserves.htm.

[21] This attitude first surfaced at the 2006 session of the National People’s Congress, where the outgoing director of the National Bureau of Statistics, Li Deshui, warned that foreign companies were trying to monopolize the Chinese market, as reported by Xinhua (New China) News Agency on March 8, 2006, retrieved on June 6, 2012 from http://www.china.org.cn/english/2006/Mar/160732.htm. It was strongly refuted by a MOFCOM director general at a conference in Beijing the following month, attended by the author.

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Useful websites

Invest in China (maintained by the Ministry of Commerce of the People’s Republic of China):
http://www.fdi.gov.cn/.

Ministry of Commerce of the People’s Republic of China: http://www.mofcom.gov.cn/.
National Bureau of Statistics of China: http://www.stats.gov.cn/.

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About the Author

Ken Davies (kendavies@growingcapacity.com) is President of Growing Capacity, Inc., an independent consultancy advising on government and corporate policies to promote investment for development. The author wishes to thank Daniel Van den Bulcke and Benny Yan for their helpful comments. The views expressed by the author of this *Profile* do not necessarily reflect opinions of Columbia University, its partners and supporters. *Columbia FDI Profiles* (ISSN: 2159-2268) is a peer-reviewed series.

Contact Information

For further information please contact: Vale Columbia Center on Sustainable International Investment, Mimi Wu, miaoting.wu@law.columbia.edu.

Statistical annex

Annex table 1. China: inward FDI stock, 1990, 2000, 2010, and 2011(US$ billion)

Economy	1990	2000	2010	2011
China	21	193	579	711
Memorandum: comparator economies				
Brazil	37	122	473	670
Singapore	30	111	470	519
Russia	n.a.	32	423	457
India	2	16	198	202

Source**:** UNCTAD's FDI/TNC database, available at: http://stats.unctad.org/fdi/.

Annex table 2. China: inward FDI flows, 2000-2011(US$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
China	41	47	53	54	61	72	73	84	108	95	115	124
Memorandum: comparator economies												
Brazil	33	22	17	10	18	15	19	35	45	26	49	67
Russia	3	3	4	8	15	13	30	55	75	37	43	53
Singapore	16	15	6	12	21	15	29	37	9	15	49	64
India	4	5	6	4	6	8	20	25	43	36	24	32

Source**:** UNCTAD's FDI/TNC database, available at: http://stats.unctad.org/fdi/.

Annex table 3. China: distribution of inward FDI flows, by economic sector and industry, 2001 and 2010

(US$ billion and per cent of total inflows)

Sector/industry	2001[a]	2010[b]
Primary	1.7 3.6%	61.7 2.6%
Agriculture	0.9 1.9%	49.3 2.1%
Mining	0.8 1.7%	12.4 0.5%
Secondary	30.9 65.9%	1,400. 158.3
Manufacturing	30.9 65.9%	1,400. 158.3
Tertiary	14.3 30.5%	939.8 39.1%
Utilities	2.3 4.9%	34.0 1.4%
Construction	0.8 1.7%	44.3 1.8%
Real estate	5.1 10.9%	370.2 15.4%
Total	46.9 100.0%	2,401.6 [a] 100.0%

Source**:** Ministry of Commerce (MOFCOM), China, available at: www.fdi.gov.cn.

Note: The Chinese authorities include "utilities" and "construction" in the secondary sector, and the MOFCOM figures do not include all activities; so it is not possible to disaggregate and reconstruct the sectoral statistics entirely from their published tables. See the official definition of sectors from the annual statistical yearbook published by the National Bureau of Statistics. In China economic activities are categorized into the following three strata of industry: (1) "Primary industry" refers to agriculture, forestry, animal husbandry and fishery and services in support of these industries. (2) "Secondary industry" refers to mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction. (3)"Tertiary industry" refers to all other economic activities not included in the primary or secondary industries.

[a] Utilized investment.
[b] Contractual value of investment.

Annex table 4. China: geographical distribution of inward FDI stock,[a] 2002 and 2010 (US$ billion)

Region/economy	**2002**	**2010**
World	448.0	1,107.8
Developed economies	n.a.	n.a.
Europe	n.a.	n.a.
European Union	**33.9**	**72.1**
Belgium	0.6	1.1
Denmark	0.5	2.0
France	5.5	10.8
Germany	8.0	17.2
Italy	2.2	5.1
Netherlands	4.3	10.9
Spain	0.4	2.0
Sweden	0.8	2.1
United Kingdom	10.7	17.1
North America	**43.2**	**73.1**
Canada	3.4	7.9
United States	39.9	78.7
Other developed economies	n.a.	n.a.
Australia	n.a.	n.a.
Japan	36.3	73.6
Developing economies	n.a.	n.a.
Africa	n.a.	n.a.
Mauritius	n.a.	9.4
Asia	n.a.	n.a.
Hong Kong (China)	204.9	456.2
Macau (China)	4.8	9.7
Indonesia	1.1	2.1
Korea, Republic of	15.2	47.3
Malaysia	2.8	5.7
Philippines	1.4	2.8
Singapore	21.5	46.9
Taiwan Province of China	33.1	52.0
Thailand	2.4	3.3
Western Samoa	2.3	16.1
Latin America and Caribbean	n.a.	n.a.
Barbados	n.a.	3.6
British Virgin Islands	24.4	111.8
Cayman Islands	3.8	21.6
Unidentified others	n.a.	**100.7**

Source: Ministry of Commerce (MOFCOM), China, available at: www.fdi.gov.cn.
[a] The above statistics, released by MOFCOM for purposes of geographical breakdown, represent cumulated FDI. As they do not include divestments, total IFDI stock in this table is much larger than the IFDI stock total in annex table 1, which comes closer to internationally-recognized standards of FDI measurement (see footnote 2 in the text).

Annex table 5. China: principal foreign affiliates in economy, ranked by value of sales, 2008

Rank	Name of affiliate	Industry	Sales (US$ million)
1	Hongfujin Precision Industry (Shenzhen) Co. Ltd.	Computer peripherals	26,974
2	Nokia Telecommunication Co. Ltd.	Cell phones	13,767
3	China Offshore Petroleum (China) Limited	Oil and gas	11,354
4	Dagong (Shanghai) Computer Co. Ltd.	Computers	10,535
5	Fay-Volkswagen Sales Co. Ltd.	Automobile	10,412
6	Daofeng (Shanghai) Computer Co. Ltd.	Computers	9,471
7	Angang Steel Ltd.	Steel	9,424
8	Shanghai GM Automobile Co. Ltd.	Automobile	9,366
9	Fay-Volkswagen Co. Ltd.	Automobile	9,217
10	Motorola (China) Electronic Ltd.	Telecom equipment	8,099
11	Maanshan Steel Co. Ltd.	Steel	7,287
12	Huaneng International Power Co. Ltd.	Electricity generation	7,257
13	Shanghai Volkswagen Automotive Sale Ltd.	Automobile	7,233
14	Dongfeng Toyota Auto Sale Co. Ltd.	Automobile	7,145
15	Dongfeng Auto Company	Automobile	7,057
16	Air China Co. Ltd.	Airline	6,767
17	Shanghai Volkswagen Automotive Ltd.	Automobile	6,734
18	Yingshunda Science & Technology Co. Ltd.	Consumer electronics	6,430
19	Nokia (China) Investment Co. Ltd.	Cell phones	6,393
20	China Southern Airlines Co. Ltd.	Airlines	6,350

Source: Ministry of Commerce (MOFCOM), China, available at: www.fdi.gov.cn

Annex table 6. China: main M&A deals, by inward investing firm, 2008-2010

Year	Acquiring company	Home economy	Target company	Target industry	Shares acquired (%)	Transaction value (US$ million)
2010	BBVA	Spain	China CITIC Bank Corp. Ltd.	Banking	4.9	1,652.4
2010	Grand Point Investment Ltd.	Hong Kong, China	Tianjin Port Co. Ltd.	Transportation services	56.8	1,483.0
2010	China Gold International Resources Ltd.	Canada	Skyland Mining Ltd.	Copper ores	100.0	790.5
2010	Hopeson Holdings Ltd.	Hong Kong, China	Panyu Zhejiang Real Estate Ltd.	Land subdividers and developers	100.0	509.8
2010	Rhodia S.A.	France	Jiangsu Feixiang Chemical Co.	Industrial organic chemicals	100.0	489.0
2010	Cardinal Health	United	Zuellig Pharma	Drugs, drug	100.0	470.0

	Inc	States	China Corp	proprietaries		
2010	TCC International Holdings Ltd.	Hong Kong, China	Anhui Chaodong Cement Co. Ltd.	Cement, hydraulic	n.a.	463.8
2010	Hanwha Chemical Corp.	Republic of Korea	Solarfun Power Holdings Ltd.	Semiconductors and related devices	50.0	446.4
2010	Hynix Semiconductor Inc.	Republic of Korea	Hynix-Numonyx Semiconductor	Semiconductors and related devices	22.2	434.3
2010	Hana Financial Group Ltd.	Republic of Korea	Bank of Jilin Co. Ltd.	Banking	26.0	370.1
2010	Carlsberg Brewery Hong Kong	Hong Kong, China	Chongqing Brewery Co. Ltd.	Malt beverages	12.3	349.1
2010	Genesis Energy Holdings Ltd.	Hong Kong, China	Power Great Ltd.	Offices of holding companies	100.0	300.7
2010	China Resources Gas Group Ltd.	Hong Kong, China	Mega Fair Ltd.	Natural gas transmission	100.0	271.7
2010	Sino Fountain Ltd.	Hong Kong, China	China Huiyuan Juice Group Ltd.	Frozen fruits, fruit juices and vegetables	23.0	260.7
2010	Link Crest Ltd.	Singapore	Pine Agritech Ltd.	Soybean oil mills	57.3	252.6
2009	GCL-Poly Energy Holdings Ltd	Hong Kong, China	GCL Solar Energy Tech Hldg Inc	Semiconductors	100.0	3,787.5
2009	BBVA	Spain	China Citic Bank	Banking	4.9	1,601.6
2009	GIC Real Estate Pte. Ltd.	Singapore	ProLogis-China Operations	Land developers	100.0	1,300.0
2009	Investor Group	Hong Kong, China	Shanghai Shimao Co Ltd	Land developers	56.8	1,012.1
2009	GCL-Poly Energy Holdings Ltd	Hong Kong, China	Greatest Joy International Ltd	Semiconductors	100.0	911.6
2009	MAN Finance & Holding Sarl	Luxembourg	Sinotruk (Hong Kong) Ltd.	Motor vehicles and passenger car bodies	25.0	782.2
2009	Franshion Ppty (China) Ltd	Hong Kong, China	China Jin Mao (Group) Co Ltd	Building operator	45.1	737.5
2009	HongKong Electric (Holdings) Ltd.	Hong Kong, China	Outram Ltd	Electric services	100.0	732.6
2009	Asahi Breweries Ltd.	Japan	Tsingtao Brewery Co. Ltd.	Malt beverages	20.0	667.0
2009	Middle Kingdom Alliance Corp	United States	Pypo Digital Co Ltd	Electronic equipment	100.0	378.0
2009	CRH PLC	Ireland	Jilin Yatai Grp Cement Invest	Investors	26.0	296.7
2009	Ting Hsin (Cayman	Taiwan, Province of	Tingyi-Asahi-	Bottled and	10.0	280.0

	Islands) Hldg.	China	Itochu Beverages	canned soft drinks		
2009	TM Entertainment & Media Inc	United States	Hong Kong Mandefu Holdings Ltd	Advertising agencies	100.0	263.6
2009	ADF Phoenix IV Ltd	Singapore	Nanjing International Finance	Operators of nonresidential buildings	100.0	232.8
2009	MidAmerican Energy Holdings	United States	BYD Co. Ltd.	Motor vehicles and passenger car bodies	9.9	231.5
2008	Bank of America Corp.	United States	China Construction Bank Corp	Banking	8.4	7,067.4
2008	Bank of America Corp	United States	China Construction Bank Corp	Banking	2.6	1,860.5
2008	Jade Green Investments Ltd	Hong Kong, China	Fortune Dragon Coking Coal	Bituminous coal and lignite surface mining	100.0	1,350.8
2008	Blackstone Group LP	United States	China National Agrochemical	Chemicals and chemical preparations	20.0	600.0
2008	Deutsche Bank AG	Germany	Huaxia Bank Co. Ltd.	Banking	5.3	552.9
2008	Songzai Intl Holding Group Inc.	United States	Heilongjiang Xing An Group Hong	Bituminous coal and lignite surface mining	90.0	550.0
2008	BP Overseas Development Co Ltd	Thailand	Asian American Coal Inc	Bituminous coal and lignite surface mining	78.4	432.8
2008	Beiersdorf AG	Germany	C-BONS Hair Care	Cosmetics	85.0	381.4
2008	Johnson & Johnson	United States	Beijing Dabao Cosmetics Co Ltd	Perfumes, cosmetics	100.0	327.8
2008	Holcim Ltd	Switzerland	Huaxin Cement Co. Ltd.	Cement	18.6	282.7
2008	Hong Leong Bank Bhd.	Malaysia	Chengdu City Commercial Bank	Banking	20.0	261.0
2008	Shui On Investment Co. Ltd.	Hong Kong, China	Shui On Land Ltd.	Land subdividers and developers	5.1	230.2
2008	CapitaRetail China Trust	Singapore	Xizhimen Mall	Operators of nonresidential buildings	100.0	229.3
2008	Monster Worldwide Inc.	United States	ChinaHR.com Holdings Ltd	Employment agencies	55.0	225.0
2008	Investor Group	France	Chongqing Water Group Co. Ltd.	Water supply	n.a.	220.0

***Source*:** The author, based on Thomson ONE Banker. Thomson Reuters.

Annex table 7. China: main greenfield projects, by inward investing firm, 2008-2010

Year	Company	Home economy	Industry	Value (US$ billion)
2010	AU Optronics	Taiwan (Province of China)	Electronic components	3.0
2010	Chang Chun Group	Taiwan (Province of China)	Chemicals	2.4
2010	Formosa Plastics Group (FPG)	Taiwan (Province of China)	Chemicals	2.3
2010	Wintek	Taiwan (Province of China)	Electronic components	1.7
2010	Meydan City Corporation	United Arab Emirates	Real estate	1.6
2010	Standard Chartered Bank	United Kingdom	Financial services	1.5
2010	Enersys	United States	Electronic components	1.2
2010	Hankook Tire	Korea (Rep. of)	Rubber	1.0
2010	Corning	United States	Ceramics and glass	0.8
2010	Nokia Siemens Networks	Finland	Communications	0.8
2010	SK Group	Korea (Rep. of)	Coal, oil and natural gas	0.8
2010	Tesco	United Kingdom	Food and tobacco	0.8
2010	Nissan	Japan	Automotive OEM	0.7
2010	Nomura Holdings	Japan	Financial Services	0.7
2010	Sunbase International	Hong Kong, (China)	Electronic components	0.7
2009	Chevron Corporation	United States	Coal, oil and natural gas	4.7
2009	LG	Korea (Rep. of)	Electronic components	4.0
2009	Samsung	Korea (Rep. of)	Electronic components	2.2
2009	Charoen Pokphand Group	Thailand	Food and tobacco	1.2
2009	China Merchants Holdings (International)	Hong Kong (China)	Warehousing and storage	1.2
2009	Shimao Property Holdings Ltd.	Hong Kong (China)	Real estate	1.2
2009	Cheng Shin Rubber Industry	Taiwan (Province of China)	Rubber	1.0
2009	Hon Hai Precision Industry	Taiwan (Province of China)	Electronic components	1.0
2009	Hon Hai Precision Industry	Taiwan (Province of China)	Electronic components	1.0
2009	Michelin	France	Rubber	1.0
2009	Novartis	Switzerland	Biotechnology	1.0
2009	Chevron Corporation	United States	Coal, oil and natural gas	0.8
2009	Daiwa House Industry	Japan	Real estate	0.8
2009	Jumbo Lane Investments	United Kingdom	Coal, oil and natural gas	0.8
2009	Royal Dutch Shell	Netherlands	Coal, oil and natural gas	0.8
2008	Daimler AG	Germany	Automotive OEM	0.9

2008	ROSM	France	Consumer products	2.0
2008	Royal Vopak	Netherlands	Warehousing and storage	1.0
2008	Howard Group Development	Hong Kong (China)	Transportation	1.5
2008	Walt Disney	United States	Leisure and entertainment	3.6
2008	SK Energy	Korea (Rep. of)	Chemicals	2.0
2008	Henderson	Hong Kong (China)	Real estate	1.4
2008	Lotte Group	Korea (Rep. of)	Real estate	1.0
2008	Volkswagen	Germany	Automotive OEM	0.9
2008	Electric Power Development (J-Power)	Japan	Coal, oil and natural gas	0.7
2008	Yulon Motor	Taiwan (Province of China)	Automotive OEM	0.7
2008	Hyundai Motor	Korea (Rep. of)	Automotive OEM	0.8
2008	Compal Electronics	Taiwan (Province of China)	Business machines and equipment	0.7
2008	Saudi Basic Industries (SABIC)	Saudi Arabia	Chemicals	1.7
2008	Israel Corp (IC)	Israel	Automotive OEM	0.8

***Source*:** The author, based on fDi Intelligence, a service from the Financial Times Ltd.