

**CHINA'S OUTWARD DIRECT INVESTMENT:
RECENT DEVELOPMENT AND
GOVERNMENT POLICIES**

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Executive Summary

1. China has been a major recipient of global foreign direct investment (FDI) since the mid-1990s. Recently, it has also emerged as an important source of FDI in the world, ranking third in 2012, after the United States and Japan.
2. In fact, the gap between China's inward (IFDI) and outward FDI (OFDI) has shrunk significantly. The ratio of IFDI and OFDI dropped from 20 in 2002 to 1.3 in 2012. China is expected to become a net investor in FDI by as early as 2014.
3. Although the rapid increase of China's OFDI coincided with the government's "Go Out" campaign initiated in 2000, Chinese investments overseas are driven increasingly by market forces, including better access to consumer markets and advanced technologies.
4. The Go Out campaign firstly signifies a policy shift, from attracting IFDI to encouraging both IFDI and OFDI. Secondly, it entails various reforms that relax administrative controls and regulations and facilitates firms' OFDI endeavors.
5. Thirdly, the campaign is backed by various policies and financial support to facilitate Chinese OFDI, especially those by large SOEs.
6. As China's OFDI soared in size, it has also experienced considerable changes in its composition. Non-SOEs are now dominant in number as China's overseas investors in spite of their relatively small average investment. Their share in total OFDI has risen considerably.
7. Meanwhile, the sectoral mixture of China's OFDI has become more diversified and less resource-driven. Chinese investment has gone far beyond Asia and can be found in all continents, covering around 180 countries and regions.
8. The recent surge of China's OFDI will likely continue, as the economy matures and Chinese firms expand. More significantly, recent government initiatives further

heighten China's efforts to invest abroad, including the proposed Asian Infrastructure Investment Bank and new silk road plans.

9. Chinese investment will inevitably also encounter growing challenges. Investment by large SOEs for example could raise serious national security concerns from host countries. The government has stepped up efforts to negotiate bilateral investment treaties, including those with the United States and the European Union.