



Exporting National Champions

**CHINA'S OFDI LENDING IN COMPARATIVE PERSPECTIVE
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Summary



- What is OFDI finance?
- How much is China lending?
 - \$140 billion from 2002-2012
- How does that compare to others?
 - Much more than Japan or Korea as a percent of total OFDI, either past or present
 - (And nobody else gives much at all)
- What is the purpose?
 - Primarily natural resource acquisition

What is OFDI finance?



- Lending to Chinese companies to support overseas foreign direct investment (OFDI)
 - YES: Lending \$2 billion to Chinalco to purchase a mine in Peru
 - NO: Export subsidies, export credits, overseas contracting loans

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- Why do it at all?
 - Acquire resources and technology
 - Enter new markets
 - Industrial adjustment

Methodology

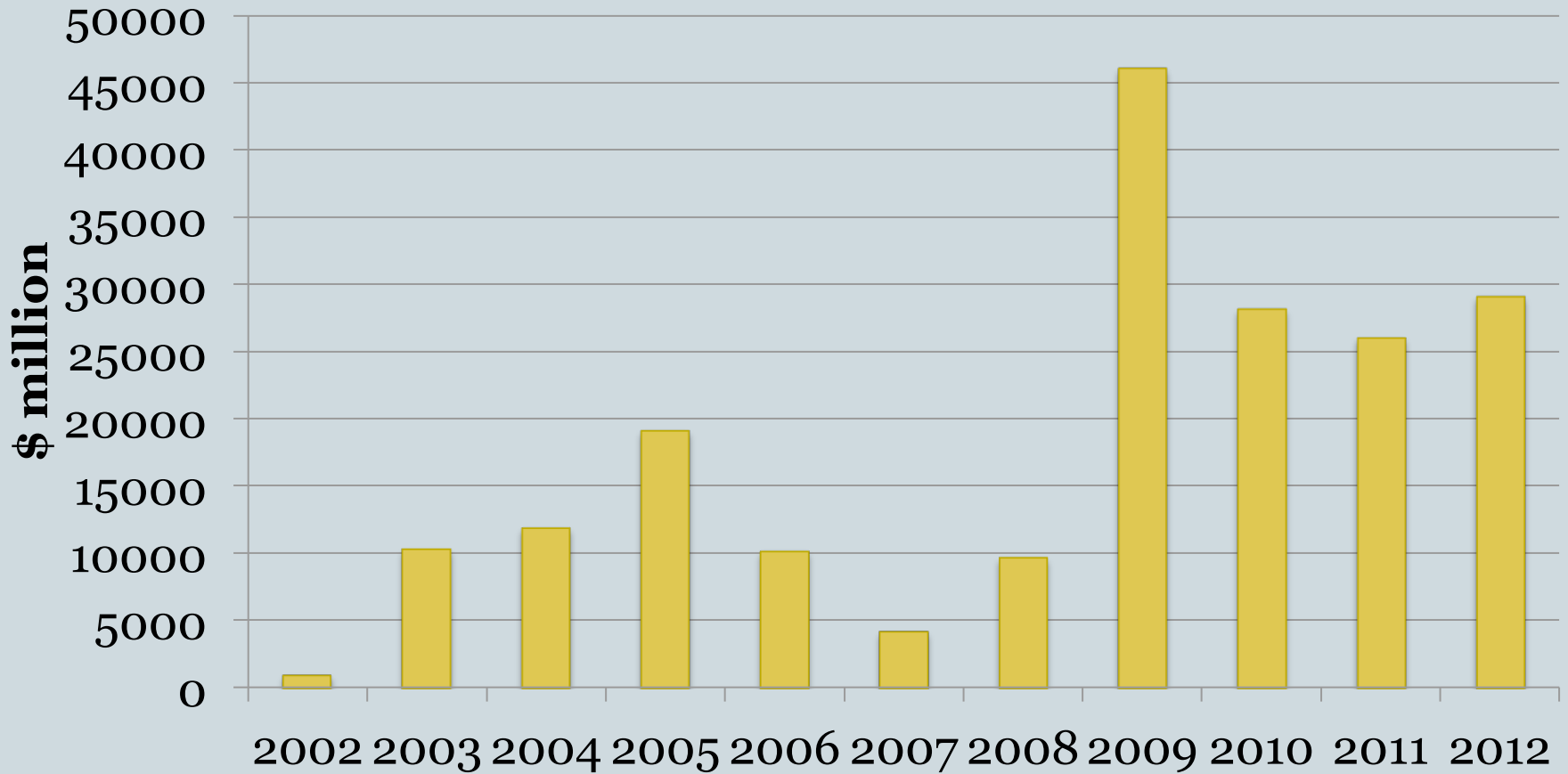


- Bank reports
 - Newspaper reports
 - Company reports
 - Financial reports
-
- Confirmed by multiple sources

How much?



Chinese OFDI Finance



Who is lending?



Bank	OFDI Loans		Loans to LAC	
	Amount (\$m)	Percent	Amount (\$m)	Percent
CDB	\$92,860	64.3%	\$68,976	80.0%
Ex-Im	\$34,151	23.7%	\$8,964	10.4%
BoC	\$12,310	8.5%		
ICBC			\$4,201	4.9%
Total	\$144,366	100.0%	\$86,231	100.0%

Who is borrowing?



State-owned enterprises	96%
Private enterprises	4%

How does that compare?



2003-2011	Amount (\$b)	% of GDP	% of OFDI
China	139.9	0.31%	58.0%
Japan	140.7	0.26%	15.6%
Korea	37.1	0.38%	20.3%

How does that compare?



	Amount (\$b)	% of GDP	% of OFDI
China	139.9	0.31%	58.0%
Japan, 1971-1984	8.4	0.08%	12.2%

Comparing interest rates



Country	Borrower	Rate	Year
Japan	Yen rate	0.88%	2011
China	Chinalco	L+0.01%	2008
Japan	\$ rate	L+0.25%	2010
Japan	\$ rate	L+0.44%	2004
China	TCL	L+0.6%	2004
Japan	Yen rate	2.50%	2005
China	Huawei	L+2%	2009
China	CNOOC	4.05%	2006

What is the purpose?



Sector	Amount (\$m)	Percent
Oil	\$45,367	49.18%
Mining	\$28,375	30.76%
Infrastructure	\$10,928	11.85%
Manufacturing	\$3,378	3.66%
Services	\$2,600	2.82%
Agriculture	\$1,560	1.69%
Textiles	\$40	0.04%
Total	\$92,248	100.00%

What is the purpose?



- Natural resource acquisition
- Infrastructure: energy, telecom
 - Supports exports of infrastructure goods and services
- Technology acquisition: M&A
 - Machine tools, cars, chemicals, oil

Japan's stages of OFDI finance



- **Stage 1: 1954 – 1970**
 - Natural resource acquisition
- **Stage 2: 1971 – 1984**
 - Industrial adjustment
- **Stage 3: 1985 – 1999**
 - Advanced industrial adjustment
 - Market access
- **Stage 4: 2000 – Present**
 - M&A, natural resource acquisition

Purpose comparison



By sector	Japan, 1971-1984		China	
	Amount (\$m)	Percent	Amount (\$m)	Percent
Mining and Oil	\$2,693	32.0%	\$73,742	79.94%
Infrastructure			\$10,928	11.85%
Manufacturing	\$5,184	61.6%	\$3,378	3.66%
Services			\$2,600	2.82%
Agriculture	\$118	1.4%	\$1,560	1.69%
Textiles	\$278	3.3%	\$40	0.04%
Other	\$143	1.7%	\$0	0.00%
Total	\$8,415	100.00%	\$92,248	100.00%

Purpose comparison



By sector	Japan		China	
	Amount (\$m)	Percent	Amount (\$m)	Percent
Mining and Oil	\$63,797	45.3%	\$73,742	79.94%
Infrastructure	\$19,050	13.5%	\$10,928	11.85%
Manufacturing	\$19,540	13.9%	\$3,378	3.66%
Services	\$8,307	5.9%	\$2,600	2.82%
Agriculture	\$180	0.1%	\$1,560	1.69%
Textiles	\$421	0.3%	\$40	0.04%
Other	\$29,393	20.9%	\$0	0.00%
Total	\$140,689	100.00%	\$92,248	100.00%

Analysis



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 - Why?

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 - ✦ Less moral hazard with state-owned enterprises
 - Though they are far from easy to control

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 - ✦ NOT because of less access to foreign/private capital
 - ✦ Less moral hazard with state-owned enterprises
 - Though they are far from easy to control
 - ✦ Enormous savings, forex reserves

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- China is lending far more than Japan or Korea ever did (as a percent of total OFDI)
 - So what?
 - ✦ OFDI finance leads OFDI, so expect OFDI increase
 - ✦ Right now focused on natural resources
 - Most powerful SOEs concentrated in natural resources
 - ✦ But the government may move to “stage 2” like in Japan

Summary



- We estimate China's OFDI finance since 2002 at \$140 billion
 - This is far more than Japan and Korea as a percent of OFDI
- China's OFDI finance goes mainly to acquire natural resources
 - There are also energy and telecom loans
- China loans more because it has more control over its borrowers, the SOEs
 - In addition to high savings and forex reserves

Thank you!



Questions?

Number	Parent company	Project Year	Amount		Could use	Will use	Sector	Purpose	Ownership	Foreign Funding Access?
			(\$m)	Source						
1	Shanghai Baosteel Group	2003	10000	CDB	Yes	No	Steel	A	SOE	Y
2	Shanghai Baosteel Group	2012	20000	CDB	Yes	No	Steel	A	SOE	Y
3	Shanghai Baosteel Group	2010	11760	BoC	Yes	No	Steel	A	SOE	Y
4	China National Petroleum (CNP)	2009	30000	CDB	Yes	Yes	Oil	A	SOE	Y
5	China National Petroleum (CNP)	2005	4200	CDB	Yes	Yes	Oil	A	SOE	Y
6	China Minmetals Group	2005	2000	Ex-Im	Yes	Yes	Mining	A	SOE	Y
7	China Minmetals Group	2007	500	CDB	Yes	Yes	Mining	A	SOE	Y
8	China Minmetals Group	2009	2000	Ex-Im	Yes	Yes	Mining	A	SOE	Y
9	TCL	2005	732	Ex-Im	Yes	No	Manufacturing	C	SOE	Y
10	TCL	2005	976	CDB	Yes	No	Manufacturing	C	SOE	Y
11	Huawei Technologies	2004	600	Ex-Im	Yes	No	Infrastructure	C	Private	Y
12	Zijin Mining Group	2006	1200	CDB	Yes	Yes	Mining	A	SOE	Y?
13	Zijin Mining Group	2008	1430	BoC	Yes	Yes	Mining	A	SOE	Y?
14	Zijin Mining Group	2007	350	CCB	Yes	No	Mining	A	SOE	Y?
15	SAIC Chery Automobile	2005	610	Ex-Im	Yes	No	Auto	C	SOE	N
16	SAIC Chery Automobile	2006	6580	CDB	Yes	No	Auto	C	SOE	N
17	SAIC Chery Automobile	2008	1430	Ex-Im	Yes	No	Auto	C	SOE	N
18	Jiangxi Copper	2008	500	CDB	Yes	Yes	Mining	A	SOE	Y?
19	Aluminium Corporation of China	2008	2000	Ex-Im	Yes	Yes	Mining	A	SOE	Y?
20	Aluminium Corporation of China	2008	2000	BoC	Yes	Yes	Mining	A	SOE	Y?
21	Aluminium Corporation of China	2007	1000	CDB	Yes	Yes	Mining	A	SOE	Y?
22	Haier Group	2004	1500	Ex-Im	Yes	No	Manufacturing	C	SOE	Y
23	Wuhan Iron and Steel Co Ltd (I)	2007	2310	CDB	Yes	No	Steel	A	SOE	N
24	Wuhan Iron and Steel Co Ltd (I)	2009	11720	CDB	Yes	Yes	Steel	A	SOE	N
25	Wuhan Iron and Steel Co Ltd (I)	2010	13230	Ex-Im	Yes	No	Steel	A	SOE	N
26	China National Chemical (Chem)	2006	428	CDB	Yes	Yes	Chemical	B	SOE	N
27	China National Chemical (Chem)	2011	960	CDB	Yes	Yes	Chemical	B	SOE	N
28	China National Chemical Engine	2003	86	Ex-Im	Yes	Yes	Infrastructure	C	SOE	N
29	State Grid Corporation	2010	1000	CDB	Yes	Yes	Infrastructure	C	SOE	N
30	Chongqing Grain Group	2011	1560	CDB	Yes	Yes	Agriculture	A	SOE	Y
31	Goldwind Science and Technology	2011	1540	ICBC	Yes	No	Manufacturing	C	SOE	Y
32	Goldwind Science and Technology	2011	6000	CDB	Yes	No	Manufacturing	C	SOE	Y
33	Aviation Industry Corporation of China	2011	14600	Ex-Im	Yes	No	Manufacturing	C	SOE	Y
34	Three Gorges Corporation	2012	2048	CDB	Yes	Yes	Infrastructure	C	SOE	N
35	Three Gorges Group	2012	4000	CDB	Yes	No	Infrastructure	C	SOE	N
36	China Huadian Corporation	2004	144	Ex-Im	Yes	Yes	Infrastructure	C	SOE	Y
37	Huaneng	2005	5000	Ex-Im	Yes	Yes	Infrastructure	C	SOE	Y
38	Huaneng	2009	2000	BoC	Yes	Yes	Infrastructure	C	SOE	Y
39	Huaneng	2009	300	CCB	Yes	Yes	Infrastructure	C	SOE	Y
40	Zhejiang Geely Holding Group (China)	2008	1000	BoC	Yes	Yes	Auto	B	Private	Y
41	Zhejiang Geely Holding Group (China)	2013	800	CDB	Yes	Yes	Auto	B	Private	Y
42	China Petroleum and Chemical	2002	966.4	Ex-Im	Yes	No	Oil	A	SOE	Y
43	China Petroleum and Chemical	2004	7240	CDB	Yes	Yes	Oil	A	SOE	Y
44	China International Trust & Investment	2004	1710	CDB	Yes	Yes	Oil	A	SOE	Y
45	CITIC, Anshan, Baosteel, Shougang	2011	1365	CDB	Yes	Yes	Steel	A	SOE	Y
46	China National Offshore Oil Corporation	2006	1987	Ex-Im	Yes	Yes	Oil	A	SOE	Y
47	Sinochem	2003	230	CDB	Yes	Yes	Oil	B	SOE	Y
48	Sinochem	2004	700	Ex-Im	Yes	No	Chemical	C	SOE	Y
49	China Merchants Group	2012	350	CDB	Yes	Yes	Infrastructure	C	SOE	Y?
50	Sinosteel	2005	1120	CDB	Yes	No	Mining	A	SOE	Y
51	Sinosteel	2008	1320	Ex-Im	Yes	Yes	Mining	A	SOE	Y
52	Jiangsu Jinsheng Industry	2010	105.6	CDB	Yes	Yes	Manufacturing	B	Private	N
53	Anshan Iron and Steel	2010	1200	Multiple	Yes	Yes	Steel	A	SOE	N
54	Shenyang Machine Tools Company	2012	84.48	CDB	Yes	Yes	Manufacturing	B	SOE	N
55	Dalian Wanda Group	2012	2600	Multiple	Yes	Yes	Entertainment	C	Private	N
56	Shanxi Tianli Enterprises	2007	39.6	Ex-Im	Yes	Yes	Textiles	D	SOE	N
57	China National Machinery Industry	2005	3000	Ex-Im	Yes	No	Manufacturing	C	SOE	N
58	China National Technical Import and Export Corporation	2005	1500	Ex-Im	Yes	No	Manufacturing	C	SOE	N
59	Wuxi Suntech Ltd	2010	731.3	CDB	Yes	No	Infrastructure	C	Private	Y
60	Sichuan Hanlong High-Tech Development	2010	140	Ex-Im	Yes	Yes	Mining	A	Private	N