

Monitor of China's OFDI in Latin America and the Caribbean (2001-2016)¹

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Below are some of the main results of the updated statistical information presented by the Academic Network of Latin America and the Caribbean on China (LAC-China Network) and its Monitor of China's OFDI in Latin America and the Caribbean. We encourage you to review the available information - bibliography, documents, statistical information and multiple analyzes - to improve and deepen the analysis.² While the Monitor of China's OFDI in LAC includes aggregated and disaggregated information from a variety of sources, the analysis will focus on the presentation of the main results of transaction disaggregated information at the company level of the China's OFDI in LAC (see section 5 of this document).

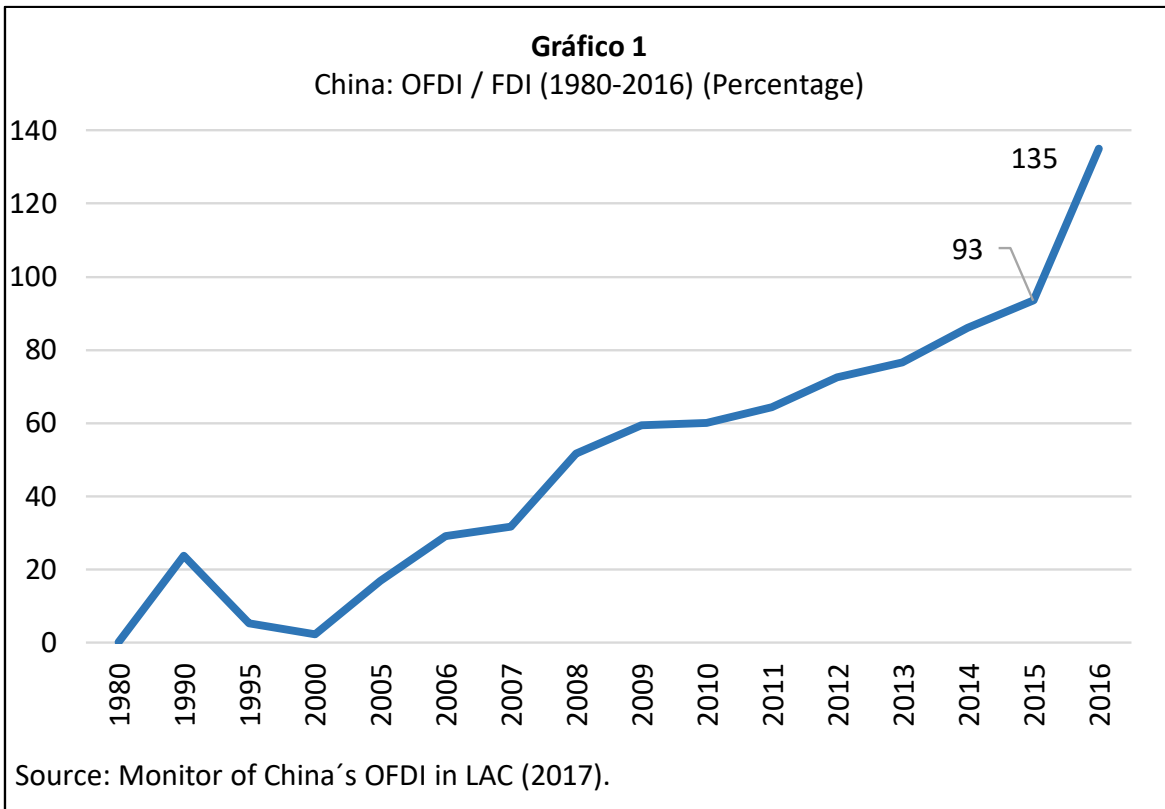
1. Context of the China's OFDI in LAC (2001-2016)

Two aspects are relevant to understanding the dynamics of China's outflows of foreign direct investment (OFDI) to Latin America and the Caribbean (LAC):

- i. In the last 5 years FDI flows to LAC have been close to US \$200 billion (World Bank 2017, Monitor of China's OFDI in LAC 2017), although they have declined slightly since 2011 when they reached 203.620 million dollars. The Chinese OFDI to LAC accounted for 0.17% and 0.86% of regional GDP and gross fixed investment respectively in 2015. During 2003-2015, these investments represented 5.86% of total FDI received by LAC and has been increasing steadily since the first decade of the 21st century, reaching 18.76% in 2010 and 4.41% in 2015.
- ii. As a result of changes within the Chinese productive sector promoted by the Chinese public sector in the last decade - a topic analyzed in depth by the LAC-China Network -, the People's Republic of China has become the second capital exporter in recent years and a net exporter of capital since 2016. The ratio OFDI/FDI inflows was 135% in 2016 as a result of FDI amounting to US \$ 126 billion and OFDI amounting to US \$ 170.11 billion (MOFCOM 2017; Monitor of China's OFDI in LAC 2017, see figure 1).

¹ It is suggested to quote the document as follows: Dussel Peters, Enrique and Samuel Ortiz Velásquez. 2017. *Monitor of China's OFDI in Latin America and the Caribbean*. Academic Network of Latin America and the Caribbean on China (LAC-China Network) and Monitor of China's OFDI in Latin America and the Caribbean. Mexico. June 8th.

² Information is available at: <http://www.redalc-china.org/monitor/>



2. Main trends of the China's OFDI in LAC during 2001-2016

During 2001-2016, Chinese companies carried out 303 transactions with LAC countries. The accumulated flow of Chinese OFDI in LAC was 113 thousand 662 million dollars (md). Chinese enterprises created 254,722 jobs (see Table 1). The average amount per transaction was \$ 375 million and each job was created at \$ 446,220.

There are three stages of the Chinese OFDI in LAC:

- 2001-2005, the Chinese OFDI has a small presence in China, reflected by only 19 transactions.
- 2006-2009 a rapid increase of the Chinese OFDI in LAC, which accumulated more than 19,000 million dollars and created more than 50,000 jobs.
- 2010-2016 period of maximum dynamism, accumulating almost 89,000 million dollars and 184,491 jobs.
- **In 2016 the Chinese OFDI to LAC grew by 29.4% to reach 10,348 md, although job creation declined by 3.6% (it was 28,504 jobs).**

By type of investment stands out:

- During 2001-2016, 220 transactions (72.61% of the total) were new investments accounting for 49.87% of the total OFDI and 48.23% of the employment generated. A lower average amount per transaction was observed, which is associated with a smaller average plant size.
- During 2001-2016, 83 transactions (27.39% of the total) were associated with mergers and acquisitions. They accounted for 50.13% of total Chinese OFDI and 51.77% of employment. The average amount per transaction and the average size per plant were observed three times higher than that reported by the new investments.
- In 2016 the composition of the Chinese OFDI in LAC changed significantly: while in 2015 the new investments accounted for 68.05% of the Chinese OFDI, in 2016 they did so with 16.14%, that is, mergers and acquisitions dominated in 2016. However, mergers and acquisitions continue to be the main source of employment for the Chinese OFDI, with 77.72% and 83.58% for 2015 and 2016, respectively.

Table 1
LAC: Chinese OFDI and employment (2001-2016)

Period	Transactions (number)	OFDI (millions of dollars)	Employment (number of workers)	OFDI/Transactions (millions of dollars)	OFDI/Employment (ratio)	Employment/Transaction (number of workers)
Total						
2001-2005	19	5,834	19,779	307	0.295	1,041
2006-2009	54	19,028	50,452	352	0.377	934
2010-2016	230	88,800	184,491	386	0.481	802
2001-2016	303	113,662	254,722	375	0.446	841
2015	37	7,998	29,554	216	0.271	799
2016	28	10,348	28,504	370	0.363	1,018
New investments						
2001-2005	16	5,272	13,714	329	0.384	857
2006-2009	39	12,738	18,393	327	0.693	472
2010-2016	165	38,669	90,753	234	0.426	550
2001-2016	220	56,678	122,860	258	0.461	558
2015	30	5,443	6,586	181	0.826	220
2016	15	1,670	4,679	111	0.357	312
Mergers and acquisitions						
2001-2005	3	562	6,065	187	0.093	2,022
2006-2009	15	6,291	32,059	419	0.196	2,137
2010-2016	65	50,132	93,738	771	0.535	1,442
2001-2016	83	56,984	131,862	687	0.432	1,589
2015	7	2,555	22,968	365	0.111	3,281
2016	13	8,677	23,825	667	0.364	1,833

Source: Monitor of China's OFDI in LAC (2017).

3. Chinese OFDI by economic activity of destination (2001-2016)

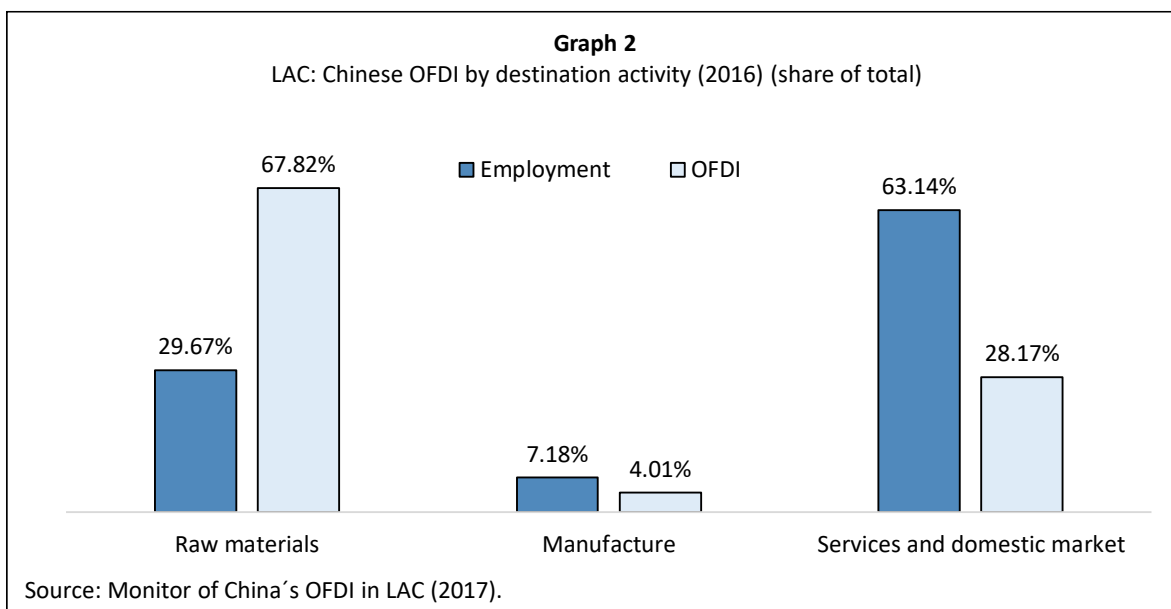
During 2001-2016, company-level transactions have been concentrated in three activities of destination: Raw materials (32%); Manufacture (33.33%) and Services and the domestic market (33.33%), but their relative shares in terms of investment and employment have been very different (see Table 2):

- Commodity-oriented transactions accounted for 65.14% of the accumulated OFDI and 51.27% of employment. The average amount per transaction and the average size of plant in raw materials doubles in value the total average amount. In turn, the very high plant size is associated with a very high capital endowment per worker. That is, the search for raw materials has predominated for the period.
- Transactions for manufacturing activities accounted for 8.97% of OFDI and 25.22% of total employment. It is noted that the average amount per transaction was well below the average of the Chinese OFDI in LAC.
- Chinese transactions linked to Services and the domestic market accounted for a quarter of the employment and accumulated investments in the region respectively. That is, it could well be argued that a second motivation of Chinese companies in the region lies in the search for markets.
- Only four transactions (1.32% of the total) were linked to Technology purchases and accounted for less than 0.08% of the OFDI and 0.67 of the employment.
- **In 2016 this trend has changed significantly (see figure 2): Of the 28 Chinese OFDI transactions recorded, the share of Raw materials transactions fell substantially, accounting for only 67.82% and 29.67% of OFDI and employment, respectively. As counterpart, particularly the Services and the domestic market have consolidated as important destination of the Chinese OFDI in LAC.**

Table 2
LAC: Chinese OFDI by destination activity (2001-2016)

	Transactions (number)	OFDI (millions of dollars)	Employment (number or workers)	OFDI/Transaction (millions of dollars)	OFDI/Employment (ratio)	Employment/Transaction (number of workers)
Total						
Raw materials	97	74,038	130,601	763	1	1,346
Manufacture	101	10,200	64,244	101	0	636
Services and domestic m:	101	29,331	58,162	290	1	576
Tecnology purchase	4	92	1,715	23	0	429
Total	303	113,662	254,722	375	0	841
New investments						
Raw materials	55	35,456	62,439	645	1	1,135
Manufacture	87	8,141	36,343	94	0	418
Services and domestic m:	77	13,052	23,978	170	1	311
Tecnology purchase	1	30	100	30	0	100
Subtotal	220	56,678	122,860	258	0	558
Mergers and acquisitions						
Raw materials	42	38,583	68,162	919	1	1,623
Manufacture	14	2,060	27,901	147	0	1,993
Services and domestic m:	24	16,280	34,184	678	0	1,424
Tecnology purchase	3	62	1,615	21	0	538
Subtotal	83	56,984	131,862	687	0	1,589

Source: Monitor of China's OFDI in LAC (2017).



4. Chinese OFDI in LAC by type of company ownership (2001-2016)

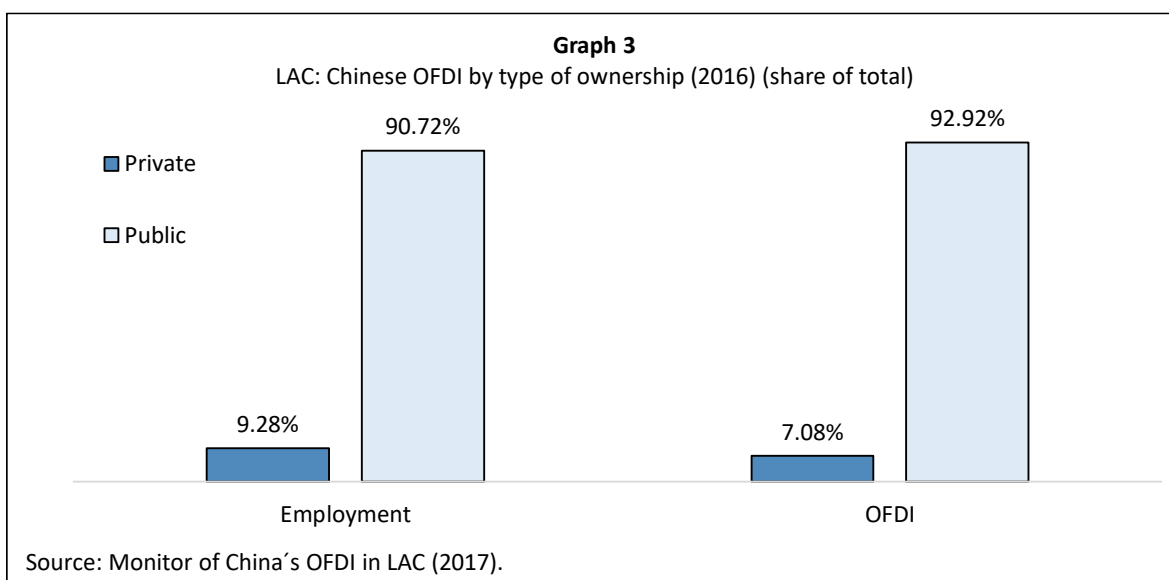
Transactions of Chinese private companies have accounted for just over half of total transactions; however, it is the public companies that invest the most and generate employment. During 2001-2016, Chinese public companies invested 87.155 million dollars, accounting for 76.68% of the total and 62.79% of job creation; In addition, they observed average amounts per transaction much higher than the total and participated in more capital-intensive activities, which was associated with a very high average company size. By type of investment, it stands out that private companies are more likely to opt for new projects of smaller size and with less capital intensity. Public companies (Dussel Peters 2015), on the other hand, are predominantly involved in new and larger capital-intensive investments. In both cases, public companies have explained the bulk of employment and investment in the region.

Table 3
LAC: OFDI and employment by type of ownership (2001-2016)

	Transactions (Number)	OFDI (millions of dollars)	Employment (number of workers)	OFDI/Transaction (millions of dollars)	OFDI/Employment (ratio)	Employment/Transaction (number of workers)
Total						
Public	146	87,155	159,951	597	0.54	1,096
Private	157	26,507	94,771	169	0.28	604
Total	303	113,662	254,722	375	0.45	841
New investments						
Public	96	38,899	88,457	405	0.44	921
Private	124	17,779	34,403	143	0.52	277
Subtotal	220	56,678	122,860	258	0.46	558
Mergers and acquisitions						
Public	50	48,256	71,494	965	0.67	1,430
Private	33	8,729	60,368	265	0.14	1,829
Subtotal	83	56,984	131,862	687	0.43	1,589

Source: Monitor of China's OFDI in LAC (2017).

In 2016, Chinese public companies share in total OFDI to LAC has been consolidated: its 28 transactions accounted for 90.72% and 92.92% of employment and total OFDI from China to LAC respectively (see figure 3).



5. Chinese OFDI by destination country in LAC (2001-2016)

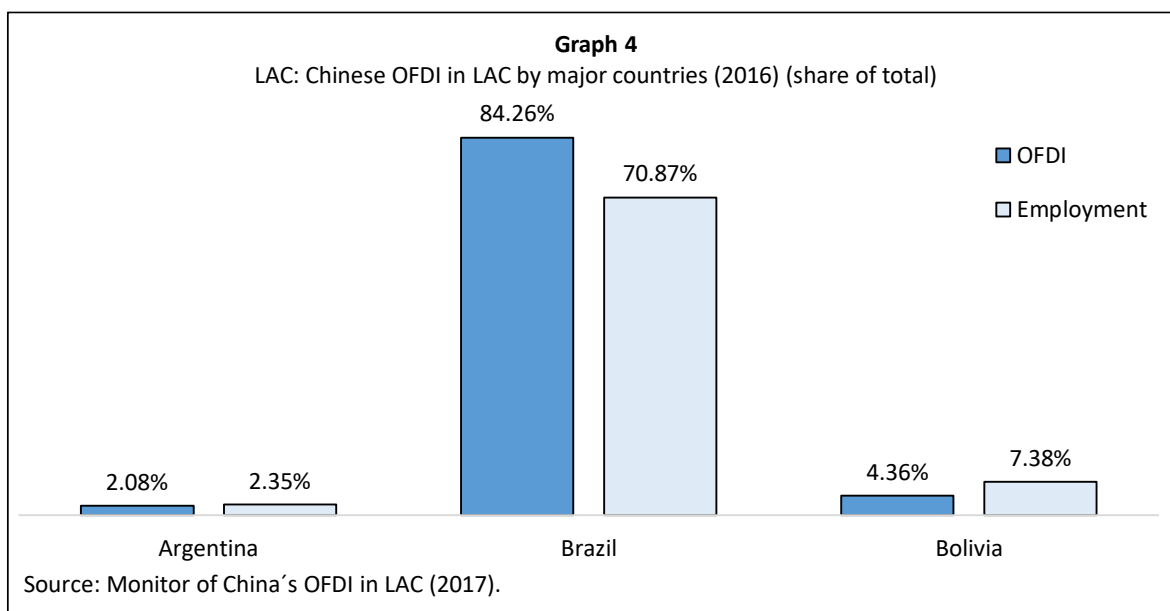
Chinese investments in LAC concentrated mainly in Brazil, Peru and Argentina during 2001-2016; these economies accounted for 68.46% of OFDI and 62.70% of job creation (see table 4). Cuba, Jamaica and Chile occupy the following positions, accounting for around 12.35% of Chinese investments. It is noted that Mexico, which barely represented 2.83% of the Chinese OFDI in LAC during 2001-2016, observed 8.34% of job creation in the region.

Table 4
LAC: Chinese OFDI by destination country (2001-2016)

	Transactions (number)	OFDI (millions of dollars)	Employment (number of workers)	Transactions (percentage)	OFDI (percentage)	Employment (percentage)
Total	303	113,662	254,722	100.00	100.00	100.00
Brazil	112	54,849	131,391	36.96	48.26	51.58
Peru	24	12,372	20,971	7.92	10.88	8.23
Argentina	16	10,587	7,336	5.28	9.31	2.88
Cuba	2	5,800	1,426	0.66	5.10	0.56
Jamaica	6	4,927	2,763	1.98	4.34	1.08
Chile	16	3,306	5,013	5.28	2.91	1.97
Mexico	47	3,212	21,237	15.51	2.83	8.34
Ecuador	12	3,052	24,704	3.96	2.68	9.70
Guyana	11	2,775	9,176	3.63	2.44	3.60
Barbados	3	2,557	2,459	0.99	2.25	0.97
Bermuda	3	2,473	7,869	0.99	2.18	3.09
Venezuela	17	1,909	10,636	5.61	1.68	4.18
Colombia	9	1,852	2,292	2.97	1.63	0.90
Trinidad & Tobago	3	1,380	1,779	0.99	1.21	0.70
The rest	22	2,612	5,670	7.26	2.30	2.23

Source: Monitor of China's OFDI in LAC (2017).

This trend was reinforced in 2016: only 14 Chinese OFDI transactions in Brazil generated 70.87% and 84.26% of employment and OFDI in the region, respectively (see figure 4).



6. Top Chinese companies with OFDI in LAC during 2001-2016

Ten Chinese companies (out of a total of 235 companies) have invested 55,478 million dollars during 2001-2011 (accounting for 48.8% of OFDI) in LAC and created 96,245 jobs (accounting for 37.8% of accumulated employment) (see table 5). Sinopec, CNPC, Sinochem, China Three Gorges Corporation and MMG Limited are major companies that have invested and created jobs significantly in LAC. The first nine of the top 10 Chinese enterprises are publicly owned, with 34 transactions in LAC accounting for 46.2% of OFDI and 37.7% of Chinese OFDI's employment in LAC during 2001-2016. The main destination markets have been Brazil, Argentina and Ecuador.

Table 5
LAC: Top 10 Chinese companies with OFDI made in LAC during 2001-2016

Top 10 Companies	Ownership	Number of Transactions	OFDI (millions of dollars)	Employment (number of workers)	Destination activity	Destination country
China Petroleum and Chemical (Sinopec)	Public	7	12,895	30,524	Raw materials	Brazil (2), Argentina (1), Ecuador (2), Colombia (1), Trinidad & Cuba (2), Peru (1), Ecuador (1), Venezuela (2), Brazil (1)
China National Petroleum Corporation (CNPC)	Public	8	7,861	24,267	Raw materials	Venezuela (2), Brazil (1)
Sinochem Group	Public	4	6,445	1,735	Raw materials	Brazil (2), Jamaica (1), Ecuador (1)
China Three Gorges Corporation	Public	3	5,790	1,081	Raw materials	Brazil (3)
MMG Limited	Public	3	4,089	4,328	Raw materials	Peru (3)
State Grid Corporation of China	Public	2	4,026	9,634	Services and domestic market	Brazil (2)
Wuhan Steel Processing Co Ltd (WISCO)	Public	2	4,002	20,009	Raw materials	Brazil, Venezuela
China National Offshore Oil Corporation (CNOOC)	Public	4	3,870	4,490	Raw materials	Argentina (3), Trinidad & Tobago (1)
Beijing Construction Engineering Group	Public	1	3,500	18	Services and domestic market	Argentina
Xinfa Group	Public	1	3,000	159	Raw materials	Jamaica
Subtotal (top 10)	Public (9/10)	35	55,478	96,245	Raw materials (8/10)	Predominates: Brazil (11), Argentina (5) and Ecuador (4)
Total of companies (235)	...	303	113,662	254,722

Source: Monitor of China's OFDI in LAC (2017).

References

WB (World Bank). 2017. *World Development Indicators*. [<http://data.worldbank.org/data-catalog/world-development-indicators>].

Dussel Peters, Enrique. 2015. "The Omnipresent Role of China's Public Sector in Its Relationship with Latin America and the Caribbean." In, Dussel Peters, Enrique and Ariel C. Armony (coord.). *Beyond Raw Materials. Who are the Actors in the Latin America and Caribbean-China Relationship?* Buenos Aires: ALC-China Network, Friedrich Ebert Stiftung, pp. 17-49.

Data sheet

The integration of the database of the Monitor of China's OFDI in LAC was carried out in two stages. In the first, the team of six analysts developed a database of more than 500 China transactions in LAC at company level for the period 2001-2015. In the second stage 131 transactions were incorporated particularly for 2016.

The primary sources of information were: fDi Markets, Thomson-Reuters, Bloomberg, Capital IQ, China Global Investment Tracker (CGIT) and investment announcements reported by the trade press. The 631 transactions had different statuses: made, canceled, announced and in process. In addition, with the exception of the database of fDi Markets, the rest of the sources consulted do not account for the generation of employment. The team tracked news from the specialized press, company reports, reports from various public and private institutions in LAC, investment announcements, among others, based on different search criteria:

- i. Transaction status: made, canceled or in process.
- ii. Amount of investment in millions of dollars.
- iii. Type of investment: new investments and mergers and acquisitions. The new investments involve a new capital inflow that amplifies the installed capacity and generates new employment; they can be of two types: new (*Greenfield*) or expansions. Cross-border transactions such as mergers and acquisitions involve only a change of owners of a previously existing company, which means that, at least in the short term, it does not imply strictly expansion of installed capacity and new employment.
- iv. Employment generation. For the case of new investments, the data corresponds to the information reported on the companies' web sites or to the announcement that was made at the time. In the case of mergers and acquisitions, the data refers in general terms to the amount of employment with which the acquired firm operated at the time of the transaction. It is important to underline that the database shows employment without distinguishing between eventual and permanent occupation. In this sense, the results shown should be taken as a first approximation in the topic on employment generated by Chinese companies in LAC. That is why an invitation to interested public is extended to improve the employment statistics of the Monitor of China's OFDI in LAC.
- v. Ownership of the investment company: public or private.
- vi. Economic activity of destination; in generic terms the various activities of destination were grouped into four types of activity: Raw Materials; Manufactures; Services and Domestic Market; Technology Purchase.
- vii. Destination country. The database includes information from 22 countries in the LAC region: Argentina, Barbados, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

The final result was the creation of a data bank of 303 cross-border transactions carried out by Chinese companies in LAC which contributes to understanding and analyzing the OFDI of China in the region and its degree of local integration based on the estimated employment generated

Those interested in the topic are invited to improve the quantity and quality of information by contacting to:

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