

China-North America Investment Relations

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Key words: FDI, China, North America, business culture, cooperative advantages

China is turning into a major center of power in the world economy with growing inward and outbound investments. The increasing role of Chinese multinationals in developed and developing countries leads to a new era of economic globalization. Moreover, mentioned investments diversify investment sources worldwide and brings new elements of business culture to the host countries. It becomes more predictable to see China among the primary global investors in the years to come, consequently, sharing responsibility for the trends and developments in the world economy and politics. This makes inevitable the cooperation with the other major players – United States, Canada, EU member states, to name a few. Global financial crisis and its' second wave have expedited the process of integration and the search for common solution to overcome financial and related hardships.

In particular, for many Chinese companies the crisis has turned from an economic disaster to a rare opportunity to expand their operations worldwide. Statistic data clearly demonstrates a mega trend toward massive direct and portfolio investments in American, Canadian and European companies as a consequence of gradual involvement in small projects and simple forms of economic integration, trade and cooperation. Given this growing trend of “Chinese companies going global”, it will not be fair to view it as a “one way street”, but rather a process of sharing and learning from each and every case. Nevertheless, investment strategies are being modified in accordance with a new knowledge on local business environment, national peculiarities and other institutional diversities in various European states. This helps Chinese companies to be more flexible, therefore, more prepared for penetrating new market segments in North America.

In view of the multi-layer dimension of Chinese investments in overseas, the role of international organizations cannot be underestimated. Being a member of the World Trade Organization, China faces no limitations, in principle, to deal with its partners in terms of trade and investments, as well as their volumes and the goals set for local industries. Yet some challenges arise from political implications. While working out particular approaches to make more efficient the nature of China – North America investment relations, it is worthy to consider the experience of China – EU relations

based on Lisbon Treaty primary terms, including those related to the economic and investment security issues challenging incentives to attract more investments from China.

The nature of China-Canada foreign economic relations can be described as very dynamic and vigorous, due to the growing share of trading partnership in the overall economic growth in both countries. Statistic data suggests that China is considered to be Canada's second-largest trading partner after the United States. On the other hand, Canada positions the thirteenth in the list of China's trading partners. These facts are being complemented by a more tangible move in recent years toward a free and dynamic movement of goods, technologies, information and services, direct and portfolio investments, human resources, including skilled labor exchange, tourists and students. Mostly these relations are given high significance by the political leaders of both nations.

The progress in mentioned relations' is becoming more observable since the meetings between the Prime Minister of Canada Mr. Stephen Harper and the President of China Mr. Hu Jintao in Canada (June 2010) and in China (in 2012), when a joint commitment was reached to explore and assess national competitive advantages of both countries. Accordingly, a joint study was undertaken to support snowballing trade, investment and economic relations. Two-sided economic complementarities were examined carefully by top experts from both countries, covering such critical areas as:

- ✓ Agriculture and agri-food (including fish and seafood)
- ✓ Clean technology and environmental goods and services
- ✓ Machinery and equipment
- ✓ Natural resources and derived products
- ✓ Services
- ✓ Textiles and related products
- ✓ Transportation infrastructure and aerospace

In addition to the goods and services from mentioned industries and sectors of economy considered as part of national competitive advantages, certain barriers and challenges in exploring and utilizing them are also taken into careful consideration.

As a result, the volumes of trade and investment currently grow constantly and faster than ever. In addition, new goods and services appear in traditional trade turnover making the current accounts of both countries more diversified, the quality and prices – more competitive despite the negative impact of global financial crisis on overall economic growth rates. According to some statistic data, the amount of foreign direct Chinese investment into Canada reached around almost 40-fold increase in the

last 10-12 years. The stock of Canadian Direct Investment in China was valued at C\$4.9 billion, and the stock of FDI into Canada from China was C\$16.6 billion in 2013.

China – United States economic relations also depend on high political leadership. Following the meeting in January 2011, U.S. President Barack Obama and Chinese President Hu Jintao issued a joint statement asserting their joint commitment to a more efficient U.S. - China relationship.

Chinese companies invested \$14 billion in the U.S. in 2013 and \$17 billion in 2014, which considers a record high. This is a result of large-scale acquisitions in such industries as food processing, energy sector and real estate. It is expected that Chinese interest in U.S. assets will remain strong in coming years due to dynamic economic changes and reforms in China, a more attractive climate for Chinese outbound investors, and a more optimistic stance for the American economy.

Compared to the active role of state-owned companies in the previous years, only in 2013, more than 70 percent of investment came from private Chinese enterprises, involved in more than 80 percent of a total of 87 deals (of which 44 were acquisitions and another 38 were greenfield projects). Investments go to such industries as unconventional oil and gas with USD3.2 billion, including CNOOC's purchase of Calgary, Alberta-based Nexen Energy's U.S. operations, Sinopec's joint venture with Chesapeake Energy of Oklahoma City, and a Sinochem International stake in West Texas's Wolf camp Shale. Next is the commercial real estate with 18 investments in San Francisco, Los Angeles, New York, and Detroit totaling USD1.8 billion. And the single biggest deal was Shuanghui's USD7.1 billion takeover of pork processor Smithfield. Recently Chinese companies became big employers of Americans, providing more than 70,000 full-time jobs. That is an 8-fold increase since 2007. Huawei Technologies and Lenovo are big employers, and Smithfield is estimated to hold 37,000 jobs at Chinese companies. In addition, Chinese investors put USD24.7 billion into mergers and acquisitions in all of North America in the just first three-quarters of 2013.

Some sources suggest that China maintains a relatively limited foreign investment regime than its major trading partners, including the United States. In 2013, the flow of new Chinese direct investment into the United States eclipsed that of the United States into China, according to widely-cited estimates by the Rhodium Group, a leading private consultancy focused on U.S.-China investment. However, the total stock of U.S. investment in China remains significantly higher than the total stock of Chinese investment in the U.S., at USD70 billion compared to just USD17 billion as of the end

of 2012, according to the Ministry of Commerce (MOFCOM) China Commerce Yearbook 2012 (the latest year for which China's bilateral data is available).

U.S. Department of State sources indicate that China relies on an investment catalogue to boost foreign investment in particular sectors of the economy, while limiting it in many others. Nevertheless, China's new political leaders attempt to improve the role of the state in the economy. In particular, Mr. Xi Jinping acts in favor of more liberal and competitive open market economy attracting private capital, including international investors for certain industries. Among most significant developments aimed to improve China – U.S. relations one shall consider that China made a landmark decision to negotiate a high-standard bilateral investment treaty (BIT) with the United States that would be based on the U.S. model BIT approach to national treatment, which covers both the “pre-establishment” and post-establishment phases of investment, and delineates a clear “negative list” of negotiated exceptions. Also, China established the Shanghai Pilot Free Trade Zone, partly to test reforms to the investment registration regime and to open previously closed sectors to foreign investment. Finally, at the Third Plenum meeting of the 18th Party Congress, the Chinese Communist Party unveiled an ambitious reform agenda that directs the authorities to broaden foreign investment access and underscores the leadership's commitment to allow market forces to play a “decisive” role in allocating resources and driving economic growth.

Considering the above mentioned experiences further research may focus on

- ✓ recent trends in China's outbound FDI;
- ✓ major challenges for trade and cooperation between China and North America;
- ✓ prospects for improving the terms of FDI, including trade and investments.

Թաթուլ ՄԱՆԱՍԵՐՅԱՆ

Չինաստան-Հյուսիսային Ամերիկա ներդրումային կապերը

Բանալի բառեր. ՕՈՒՆ, Չինաստան, Հյուսիսային Ամերիկա, գործարար մշակույթ, համագործակցային առավելություններ

Չինաստանը վերածվում է համաշխարհային տնտեսության ուժի խոշոր կենտրոնի հարաճուն ներգնա և արտագնա ներդրումներով: Չինական վերագային ընկերությունների աճող դերը զարգացած և զարգացող երկրներում հանգեցնում է տնտեսական գլոբալացման նոր դարաշրջանի: Ավելին, նշված ներդրումները դիվերսիֆիկացնում են ներդրումային աղբյուրները ամբողջ աշխարհում և բերում է բիզնես մշակույթի նոր տարրեր՝ ընդունող երկրներում: Ավելի կանխատեսելի է տեսնել Չինաստանը համաշխարհային ներդրողների առաջատարների շարքում, հետևաբար, կիսելով համաշխարհային տնտեսության և քաղաքականության միտումների ու զարգացումների պատասխանատվությունը:

Татул МАНАСЕРЯН

Китай-Северная Америка: инвестиционные отношения

Ключевые слова: ПИИ, Китай, Северная Америка, бизнес-культура, преимущества кооперирования

Китай превращается в крупный центр силы в мировой экономике с растущей долей инвестиций. Растущая роль китайских транснациональных корпораций в развитых и развивающихся странах приводит к новой эре экономической глобализации. Кроме того, упомянутые инвестиции диверсифицируют источники ПИИ по всему миру и приносит новые элементы деловой культуры в принимающих странах. Становится достаточно предсказуемо видеть Китай среди передовых стран - глобальных инвесторов, следовательно, разделяя ответственность за тенденции и события в мировой экономике и политике.

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