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Chinese FDI towards ASEAN*

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I. Introduction

China's investment overseas has a long history. However, restricting the analysis within our contemporary time-span, it was only a decade or so ago when it began investing in significant amounts. For most of the period after it adopted the so-called "Open-Door" policy in 1978, China was eager to attract foreign direct investment (FDI) inflows towards China in order to fill deficiencies in capital and technology, which was viewed as essential for China's industrialization and economic growth. Overseas investment then was seldom made, if not unthinkable. However, since the early 1990s various factors contributed to an expansion of China's foreign investment abroad: to expand export markets and to avoid trade barriers; to have an indirect access for necessary technologies which advanced countries are reluctant to transfer; to acquire reliable sources of natural resources from abroad, etc. In recent years, reasons such as better utilizing the accumulated trade surpluses and foreign exchanges and mitigating overseas pressures for

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revaluation of China's currency (Yuan) have also been added.

According to the Ministry of Commerce of China, the overseas investment of China has rapidly increased in recent years, just as the remarkable rise of economic growth in China has occurred. Chinese overseas investment recorded $2.9 billion in 2003, $5.5 billion in 2004, and $12.3 billion in 2005 to become the top 17th overseas-investing country in the world. In 2006, it further expanded to $16.1 billion, as its rank in the world also rose to 13th place. To put this in another perspective, the cumulative amount of China's overseas investment (excluding the banking and financing sector) in the past five years reached $73.3 billion. In the meantime, the Chinese government adopted the so-called 'Going global' policy[1)] in the early part of 2000, in order to promote and guide Chinese firms in their overseas investments. Indeed, "Chinese enterprises are at the threshold of becoming major foreign direct investors in Asia and beyond".[2)]

There have been many studies following the flow of FDI into China, but only a small number of studies deal with Chinese outward FDI (Wu and Chen 2001; Wong and Chan 2003; UNCTAD 2006). What was the general background for this expansion of Chinese overseas investments? What were the patterns and motives for these investments? Regionally, where are they heading? Narrowing down the region further, it should be noted that far fewer studies have dealt with Chinese overseas investment in Southeast Asia (Frost 2004; Kimura and Ishikawa 2007). What are the main investment motives of Chinese firms towards ASEAN countries? Also, what are the policy environments in both China and ASEAN towards these investments

1) 'Going-out', 'Going-global' or 'Going- outwards' policy (zhou chu qu)

2) The statement was made by Karl P. Sauvant, Director of UNCTAD's Investment Division (UNCTAD, 2003, 2)

by Chinese firms? Will this trend continue in the future? These are the issues that will be dealt with in this paper. For these purposes, we will first investigate theories and the rationale of outward FDI from developing countries in section II. Motives, characteristics and the historical background of Chinese overseas investment will also be dealt with in the same section. Then China's FDI towards ASEAN countries using macroeconomic data will be investigated in section III. This will be followed by an investigation of motivations of Chinese overseas investment in ASEAN countries in section IV. As a conclusion, the future prospect of Chinese FDI towards ASEAN will be explored in section V.

Ⅱ. Overseas Investments of China

1. Rationale of outward FDI from a developing economy

The rise of outward investments from developing countries and economies in transition is an interesting phenomenon. Moreover, it is not only large enterprises from developing countries that are investing abroad; small and medium-sized firms are also doing so. These enterprises are investing abroad for various economic and corporate-specific reasons that can differ by nationality of firms, type of industry, size of firms and types of motives. However, there are common factors such as increasing cost and competition in the saturated domestic market, which are among the key drivers of outward FDI from developing countries. In addition, the need to enhance corporate competitiveness by accessing markets, technologies, brand names and natural resources and the desire to increase overall efficiency have motivated developing country enterprises to go abroad. Improvements in the outward FDI policy environment and encouragement by home governments have also played an important role in the process (UNCTAD 2005).

Outward investment is often viewed and studied from the perspective of multinational corporations (MNCs) that are operating globally. Economic and political factors that trigger the internationalization of MNCs can be wide ranging, but often include a small home market relative to a company's operations and ambitions, competitive pressures which are intensifying in an increasingly liberalizing world, and government policies aimed at encouraging foreign expansion (*WIR* 2006, 142). Indeed, as developing economies become more open to international competition, their firms are increasingly pressured to compete with MNCs from other countries in their home and foreign markets, and one of the means at their disposal is internationalization (*WIR* 2006, 141). Internationalization in order to enhance firms' competitiveness either by exploiting or by augmenting firms' assets, does not necessarily result in FDI because firms can choose a number of other means. But once the decision to invest overseas has been made as a means, the next question is the actual implementation of that decision; where the investment should take place, how, and in what scale. This is not a simple matter for a small or new multinational corporation (MNC) – especially for the one from a developing country.

One valuable approach to this problem is a theory that stresses the importance of learning from experiences (Johanson and Vahlne 1977; Blomstermo and Sharma 2003). In this theoretical framework, the pace and the form of investment are determined by the dynamic interplay between foreign market commitments and the knowledge and experience gained thereof. In addition, the specific choice of location depends on host country advantages or assets, such as the policy framework, business facilitation measures, business conditions and economic determinants (e.g. market size, natural resources and created assets) (Dunning 1998; *WIR* 1998). However, it can be argued whether there is a special theory for MNCs from developing economies. In fact some authors have argued that characteristics of MNCs from developing countries are different from those of developed countries.[3] And some have argued for alternative theories for internationalization of firms for firms from developing countries.[4] Nevertheless, most authors seem to have opted for approaches that are effectively extensions and modifications within the existing theoretical framework.

The outward FDI motivations for small and medium-sized enterprises (SMEs) are in general similar to those of larger firms. However, there are some differences. As noted by an UNCTAD study, "developing country SMEs were more likely to be motivated by cost reduction factors and factors related to personal relationships, ethnicity and social connections. Additionally, outward FDI by SMEs has a greater tendency to go to neighboring countries to diversify risk and access new markets, compared with outward FDI by large enterprises or TNCs. SMEs face greater challenges in internationalizing. In particular, they have insufficient or fewer resources to meet the costs of information collection and to overcome uncertainties, risks and obstacles associated with outward FDI activities" (UNCTAD 2005, 4).

Having mentioned the originating country's issues of outward FDI

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3) Among others, see Shaman (1973), Young (1994), and Mathews (2006).

4) Mathews (2002)proposed an alternative internationalization framework for latecomer TNCs (mostly from developing countries), and Moon and Roehl (2001) suggested that a theory based on an imbalance between a firm's resources and those it lacks (and hence tries to acquire internationally) would better explain FDI by developing country TNCs (see *WIR* 2006, 165-166).

(developed vs. developing) and the size of a firm (MNC vs. SME), the discussion can be moved to the factors that determine internationalization or outward investment of firms. We can approach this in two levels: one from a macro-national aspect of economic environment, the other from micro-firm specific motivations. The macro-national aspect of economic environment, in turn, can be viewed from home-country drivers (or push factors) and host-country drivers (or pull factors). Push factors are usually conditions of the home market that drive firms out of the country, such as small and limited domestic markets or high labor costs. When the business condition in the home market is such that competition from foreign and local firms in the home market is severe, that will also drive local firms out of the home market.[5] On the other hand, pull factors are conditions of host markets that induce companies from other countries to enter, such as lower production costs associated with labor, infrastructure, and natural resources. Additionally, government policies – liberalization and privatization policies – in both home and host markets act as an important driving force for internationalization (*WIR* 2006, chapter IV).

However, it should be recognized that these push and pull factors are not sufficient in explaining the final choice of host locations. Motives and strategies of foreign firms also play an important role. Motives are then classified into the following four types: market-seeking, in order to look for

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5) The promotion policies of outward FDI may start with initial efforts which are small but proceeding on an incremental basis. "A common first step is to dismantle artificial barriers to such investment, including relaxing controls and restrictions on outward FDI. Subsequent promotion steps may involve improved provision of information, match-making and related services. Some countries have also introduced certain types of incentives and insurance coverage. --- Active promotion of outward FDI involves a series of policy instruments and agencies – public as well as private ones. The most important public bodies in this field include the following: trade promotion organizations (TPOs), investment promotion agencies (IPAs) and export credit and insurance agencies" (UNCTAD Investment Brief, No.4, 2006).

new customers; efficiency-seeking, in order to reduce the cost of production; resources-seeking, in order to access key inputs; and created-asset-seeking, in order to acquire new technologies and to improve productivity. In many cases, however, these motives are sometimes mixed and complementary.

2. Reasons (Factors) for Chinese overseas investment

The general factors that explain why firms invest abroad can be extended and applied to China. But there are also some factors that uniquely explain Chinese overseas investment. In short, what we are interested in are macro-economic environments as well as micro-economic motives of Chinese firms that are investing, or plan to invest overseas. As was pointed out earlier, motives and strategies of firms play an important role in deciding where, how and when to invest. It can be assessed that Chinese firms also followed the aforementioned four types of motives: market-seeking for new customers; efficiency-seeking to reduce the cost of production; resources-seeking to access key inputs; and created-asset-seeking to acquire new technologies and to improve productivity. Additionally, some macro-economic "push" factors by the Chinese government, as well as some "pull" factors offered by host countries, have played an important role for the outward investment of Chinese firms.

1) Market-seeking

Most of all, sluggish domestic demand in China and excess industrial productive capacity since the late 1990s in certain industries (especially in machinery and electronic appliances) have encouraged Chinese firms to look for growth opportunities abroad. These companies include Chinese TV producers such as Konka electronics, Skyworth and Changhong Electronic Groups, and household appliances manufacturers like Haier and Guangdong Midea Group. The recent merger of the television and DVD operations of TCL (China) and Thomson (France), with the former having a 67% stake in the joint-venture entity known as "TCL-Thomson Electronics," is an example (UNCTAD 2003: 5).

Chinese firms that are exporting are investing abroad to support their exports, to service their markets also through FDI or to expand their market presence. In markets with which Chinese has considerable trade surpluses (e.g. the US), FDI may increasingly become an alternative vehicle to supply those markets. Investing abroad also facilitated the softening of trade frictions. Avoiding trade quotas for exports to developed countries has prompted some Chinese firms to invest abroad.[6] Local firms established by these Chinese firms enabled expanding Chinese exports (thus increasing the market share) in the country as well as in other countries. As part of such a strategy, Chinese firms are also buying local distribution networks. (UNCTAD 2003: 5)

2) Efficiency-seeking

The financial capability of the Chinese firms have improved, and the high pressure in the domestic market caused by the entries of various multi-national enterprises, induced and forced Chinese firms to turn to overseas markets. The success of China in attracting FDI flows induces

6) For instance, some Chinese textile companies invested in Cambodia to take advantage of quota-free access for exporting to the United States and the European Union. Guanda Import and Export Co. Ltd. invested in Cambodia for "the reason that the United States and members of the European Union have no quotas on the great majority of textiles imported from the Kingdom of Cambodia (UNCTAD 2003: 8).

Chinese outward FDI through demonstration and spillover effects on domestic firms. Growing competition at home also encourages Chinese firms to go abroad, adopting a diversification strategy in generating revenues and transferring matured industries to low-income countries (e.g. bicycle production in Ghana and video players in Southeast Asia). Indeed, competition from foreign MNCs was widely seen as an important driver behind China's rapid increase in outward FDI (Nolan 2001; Mirza 2005; Jurgen and Rehbehn 2006) (*WIR* 2006, 156).

Efficiency-seeking motive can thus be interpreted as a way to solve the problem of domestic competition. But the motive is usually referred to a move to other countries to lower the cost of production to stay competitive. In this case the usual destination of Chinese investment abroad is the region where the cost of production is comparably lower, some parts of the Southeast for example. Once abroad, Chinese firms begin to acquire advantages related to 'internationalization" – confidence in, and knowledge of, operating in foreign environments. More Chinese firms are aspiring to become global players by investing and operating abroad.

3) Resources-seeking

The need to access natural resources abroad has encouraged Chinese firms to invest in resource-rich countries. The outward investments in energy and resource fields are mainly concentrated on the iron-ore exploitation and the joint exploitation of oil. In 2005, the country's dependence on imported oil was 42.9%, with a net import of 136.17 million tons of oil. Speeding up the oil exploitation abroad, i.e. 'Going-Out' is one of the major measures addressing the rising demand for imports. By means of 'Going-Out', oil companies can conditionally participate in the upstream and midstream process of oil production, which helps them reduce the cost, promote the export of oil exploitation equipments and create more opportunities for employment (Wenke and Qiang, 8). Investments enabled the utilization of natural resources in foreign countries, and supplemented the short supply of domestic natural resources. Examples are petroleum, natural gas, fishery and forestry industries. Most of them are state-owned enterprises that acquired minority or majority stakes in foreign companies. Sinopec, Petrochina and China National Offshore Oil Corporation (CNOOC) have invested in 14 countries, including Indonesia, Kazakhstan, Myanmar, Sudan and Yemen (UNCTAD 2003: 6).

4) Created-asset-seeking

Chinese investment in developed countries is also rising. The motives for such investment include access to technology and other strategic assets such as brand names, as well as access to markets. The aspiration to go abroad to build or acquire international brands and advance product development has also become a major factor. The motive for accessing foreign technology also takes the form of establishing R&D centers in developed countries.

5) "Push" factors by Chinese government

The Chinese government has encouraged firms to invest abroad, in particular to secure the supply of resources to meet the growing demand at home, and transferring matured technologies in which Chinese firms have a comparative advantage (e.g. electronics, textile and garment processing industries). It has also supported small and medium-sized Chinese enterprises to expand in international markets. Provincial administrations such as Guangdong and Shanghai have also actively encouraged their domestic enterprises to invest abroad. The Ministry of Commerce has already implemented policy measures, including a relaxed approval system for outward FDI. China has signed bilateral investment treaties with 103 countries and double taxation treaties with 68 countries as of December 2002 to facilitate its FDI abroad. The Export-Import Bank of China, through its financing facilities, has also played a role in supporting Chinese outward investment. Other measures to encourage Chinese firms to invest abroad include easier access to loans from commercial banks, and foreign exchange and preferential policies such as corporate income tax exemption (UNCTAD 2003: 5).

The need for upgrading the industrial structure and for exploring the new market necessitated a policy change to overcome the shortage of domestic demand, to upgrade the industrial structure, and to explore the new market. In addition, "the pressure from the large and ever-increasing amounts of 'China dollars' have made the promotion of outward FDI an imperative for the Chinese Government, leading it to adopt a 'going global' strategy and to take concrete measures to promote the internationalization of Chinese companies" (*WIR* 2006, 55). Favorable conditions have been established by the continued trade surpluses and the consequent accumulation of foreign currency reserves, especially in recent years.[7] This pressured China to

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7) Before 1990, the trade balance was negative for most of the years. However, since 1990 the balance of trade showed consistent surpluses except in 1993 when the figure was negative. The total trade volume exceeded $1 trillion in 2004 and reached $1.42 trillion by the end of 2005. China is now the third largest trading nation in the world after the USA and Germany. China's foreign currency reserves, which were a mere $11.1 billion in 1990, reached $818.9 billion at the end of 2005. In 2006, they surpassed the $1 trillion level and those of Japan to become the world's largest. China's surpluses in both current and capital accounts have been related to the exchange rate of the renminbi, since a cheap renminbi stimulates exports. It also promotes inward FDI by making investments in China cheaper in foreign currency terms. Further appreciation of the renminbi could moderate the rapid accumulation of reserves

reevaluate the Yuan and consequently to invest abroad.

6) “Pull” factors by hosting governments

Aside from “push” factors, Chinese outward FDI is also motivated by “pull” factors such as a host country’s favorable investment policies, including incentives and other location-specific advantages. For example, a number of Chinese companies are reported to have chosen the United Kingdom to take advantage of investment grants.

Having mentioned the motives and factors for Chinese investment abroad, let us now look at some survey studies on this subject. The survey done by the Chinese Ministry of Commerce on 100 firms in 2000 revealed that the most important reason for overseas investment was to explore overseas markets (47.1%). This is followed by other minor reasons such as higher profits (16.9%), escape from stagnant domestic demand (14.5%), securing an export base in a third country (12.1%), etc.[8] These reasons can more or less be classified as market-seeking and efficiency-seeking.

Three years later in 2003, a German consulting firm Roland-Berger conducted a survey on 50 Chinese firms regarding their motives. Again, exploring overseas markets (56%) was the dominating motive. But unlike the aforementioned survey, this one listed other motives: securing overseas natural resources (20%) and securing technology (16%). Finally, a survey conducted by Chinese Institute of International Trade and Economy in 2004 noted that acquiring advanced technology and management know-how (6.9%) was the most important motive, followed by exploring overseas markets (4.5%) and implementing long-term global strategy (4.2%) (Kim,

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by limiting the growth of both exports and FDI inflows, and promoting outward FDI (*WIR* 2006, 55).

8) UNCTAD, *China: An Emerging FDI Outward Investor*, E- Brief, Dec. 2003, p. 9.

Ik-Soo, 6).[9] In other words, the motives of Chinese firms for overseas investment in these few years diversified to include resource seeking and created-asset seeking.

3. Characteristics and historical background of Chinese overseas investment

Characteristics of Chinese overseas FDI can be viewed from various aspects such as the industrial sector, the region or country destination, the method and the type of investing firm

First, the sectoral distribution of Chinese overseas investment reveals that the services sector occupied the dominating share of 75% or $42.8 billion from the cumulative total of $57.2 billion at the end of 2005, which was followed by the mining sector – $8.65 billion (15.1%). The manufacturing sector occupied only 10% or $5.77 million. Overseas investment by flow-basis shows similar figures. For example, in 2005, investment in the services sector was $8.24 billion (67.2%) from the total of $12.26 billion. But the manufacturing sector (18.6%) was slightly ahead of the mining sector (13.7%) in 2005.

Second, Hong Kong is the most important destination for Chinese overseas investment: 63.8% ($36.5 billion) of the total by cumulative basis by the end of 2005. This is followed by two tax-haven places such as Cayman Islands (15.6%) and Virgin Islands (3.5%). These three places occupy some 81% of the total. However, a significant portion of these investments is considered to be 'round-tripping' investment, meaning that they are

9) Also appears in the Fusitsu Institute, *Research Report*, No. 232, June 2005.

reinvested back to China (to take advantage of benefits and privileges offered towards FDI inflows to China). Investment in Korea, although miniscule (1.5% of the total), ranks next.

Third, unlike the experiences of Japan and Korea in their early stages of overseas investment, the majority of Chinese overseas investment takes the method of M&A. For example, in 2005 investment by M&A occupied 53% or $6.5 billion of the total. And this trend seems to be strengthening in recent years. The Korea Trade-Investment Promotion Agency (KOTRA) found that the main characteristics of Chinese M&A are: (1) Expansion to industries to acquire core technologies. (2) Emphasis on brand names, marketing, and intangible assets. (3) Strengthening competitiveness by alliance with multi-national enterprises. (4) Rising trend of overseas investment and M&A by household electronic appliance firms and IT firms (KOTRA 2005: 28-34).

> "As was shown, M&As of foreign firms by Chinese firms are increasing quickly. Considering the real promotion of 'going-global' policy by the Chinese government, the current fever of overseas M&As seems to be just at the beginning stage. Nevertheless, they are still at the learning stage, so that compared to MNEs of other countries, Chinese firms are lacking knowledge and know-how so that they make trial-and-error mistakes. For all these pros and cons, M&A is a very effective way to acquire advanced technology, brand-name power, economies of scale and develop overseas markets within a very short period, so that the possibility of adopting M&A methodology is still high. Furthermore, if the Chinese renminbi is additionally appreciated, the buying price of foreign firms will still be lowered and the size of M&A will likely be to larger" (Kim, Ik-Soo, 26)

Fourth, as to the type of investing firms, the contemporary Chinese outward investments were established by large state-owned enterprises operating in monopolized industries such as financial services, shipping, international trading and natural resources. Many of them started operations abroad after China adopted the 'open-door' policy in 1978. For example, CITIC Group, a diversified financial and industrial conglomerate, was founded in 1979 by the Chinese Central Government.[10] It has grown into one of the top 100 MNCs in the world. In recent years, state-owned Chinese companies (including CNPC, CNOOC and Minmetals) have emerged as important players in natural resources, driven by their growing ambition to secure control of such resources abroad.

The second generation of major Chinese MNCs emerged after the early 1990s in competitive manufacturing industries, in particular those related to electronics and information and communication technologies. Positive spillovers from inward FDI, coupled with supportive government policies, contributed to the emergence of these Chinese electronics companies (Liang 2004). Companies such as Haier and TCL are now global players in consumer electronics; Lenovo has become the third largest personal computer (PC) manufacturer in the world following the acquisition of IBM's PC business.[11] Some relatively small Chinese companies have also become highly internationalized in a wide range of industries (Examples include Glanz, Pearl River Piano Corporation and Zhenhua Harbour Equipment.). The second generation of Chinese TNCs has diverse ownership structures, including

10) Similar companies focusing on international businesses established by the Chinese Central Government include China Resources and China Merchants.

11) After this acquisition, the company ranked third in the global PC market, with a market share of 7.2%, following Dell (17.2%) and Hewlett Packard (15.7%) in the fourth quarter of 2005, according to estimates of International Data Corp. (*WIR* 2006, 130).

private ownership, local government ownership and foreign participation (*WIR* 2006, 130).

Ⅲ. Overview of Chinese Outward Investment in ASEAN

Having stated the reasons and characteristics of Chinese overseas FDI in general, let us now focus on Chinese FDI towards ASEAN countries in particular. It is true that Chinese investment in ASEAN countries so far is rather insignificant compared 1) to its investment in other countries or regions, and 2) to ASEAN's investment in China. However, there are good reasons to believe that China's investment in ASEAN countries will grow strong in the future for various economic (e.g. markets and natural resources) reasons, which will be discussed in the remaining part of this paper. To substantiate this argument in part, there has indeed been a sharp rise in the two-way trade between China and ASEAN in recent years, and the economic cooperation between the two has been strengthened especially since the effectuation of the ASEAN-China FTA in July 2005. Furthermore, the geographical and cultural closeness between the two and the presence of an ethnic Chinese network in ASEAN enhances our belief that the Chinese FDI in ASEAN is a key phenomenon to watch.

1. The trend of China's outward FDI in ASEAN

According to the Ministry of Commerce of PRC, China's annual outward FDI flows rose remarkably in recent years, from $2.85 billion in 2003 to $5.50 billion in 2004 and to $12.26 billion in 2005 (Table 1). At the end of 2005, China's total stock of outward FDI stood at $57.2 billion. Out of this total, FDI stock towards Asia occupied a lion's share of $40.63 billion or 71% of the total. However, the total investment in ASEAN countries is rather insignificant; 1.29% of the total outward FDI flows or 2.20% of the total outward FDI stocks in 2005. The bulk of China's outward FDI towards Asia has gone to Hong Kong.

However, Hong Kong occupies a stunning 63.5% of the China's total outward FDI according to the stock basis at the end of 2005. Adding investments to tax havens such as Cayman Islands and the British Virgin Island, the share increases to 83.5%. In these tax haven areas, firms usually set up special purpose entities (SPE), and FDI through these SPEs are often called 'transit FDI' towards the third countries. Under the current statistical system, it is extremely difficult to identify the final destinations of these 'transit FDI'.[12] The reasons for a relatively high ratios of these 'transit FDI' in Chinese firms can be attributed to 1) the reduction of tax cost by using a tax haven status, 2) the use of SPE in order to obtain better treatment towards foreign investment inflows to China given by the Chinese government - the so-called 'round-tripping'.

Especially in the case of Hong Kong, firms can, in addition to the usual business operation, utilize the local financing and management of funds that can be easily available in that city where the international financial center is located. Therefore, if the 'transit FDI' is excluded, the share of 10 ASEAN countries on the stock basis by the end of 2005 would have been much

12) It should be underlined here that, although official statistics offer some ideas about the general trend, they tend to underestimate the true magnitude of outward FDI. For example, Zhang (2005: 5) points out that capital is often invested outside China through private channels and thus omitted from the official data. Wong and Chan (2003: 227) also note that official data are grossly underestimated) See also Frost (2004: 5).

higher. According to the same data from the Ministry of Commerce (PRC), China's FDI to Singapore was $325.5 million; to Viet Nam, $229.2 million; to Thailand, $219.2 million; to Malaysia, $186.8 million; and to Indonesia, $140.9 million. The sum of these totals was more than $1 billion.

Another point to emphasize is the fact that China's outward FDI in ASEAN is quite small compared to ASEAN's FDI in China. For example, the total FDI inflow to China was $60.325 billion in 2005. FDI inflows from Asia and ASEAN were $35.719 billion and $3.105 billion, or 8.70% and 5.15% respectively in the same year. The figures for the previous year, 2004, were more or less the same. Among ASEAN countries, the share of Singapore is dominant; $2.008 billion (66%) in 2004 and $2.204 billion (71%) in 2005.

<Table 1> China's outward FDI, 2003-2005

(US$ million, (%))

Country	Flow base			Stock base		
	2003	2004	2005	2003	2004	2005
Total	2,854.65	5,497.99	12,261.17	33,222.22	44,777.26	57,205.62
Asia	1,498.95	3,000.27	4,374.64	26,559.39	33,409.53	40,629.04
ASEAN	**119.32**	**195.56**	**157.71**	**586.95**	**955.70**	**1,256.45**
	(4.18)	**(3.56)**	**(1.29)**	**(1.77)**	**(2.13)**	**(2.20)**
Brunei	-	-	1.50	13	13	1.90
Cambodia	21.95	29.52	5.15	59.49	89.89	76.84
Indonesia	26.80	61.96	11.84	54.26	121.75	140.93
Laos	80	3.56	20.58	9.11	15.42	32.87
Malaysia	1.97	8.12	56.72	100.66	123.24	186.83
Myanmar	-	4.09	11.54	10.22	20.18	23.59
Philippines	95	5	4.51	8.75	9.80	19.65
Singapore	-3.21	47.98	20.33	164.83	233.09	325.48
Thailand	57.31	23.43	4.77	150.77	181.88	219.18
Vietnam	12.75	16.85	20.77	28.73	160.32	229.18
Hong Kong	1,148.98	2,628.39	3,419.70	24,632.26	30,392.89	36,507.08
Macau	31.71	26.58	8.34	446.86	624.83	598.70
Korea	153.92	40.23	588.82	235.38	561.92	882.22
Japan	7.37	15.30	17.17	89.31	139.49	150.70

Note: Figures in parentheses are percentages out of a total in each year.
Source: Ministry of Commerce (PRC), 2006. 9. (Internet access: July 2007)

Similarly, the share of China in the total FDI inflows to ASEAN countries, using net inflow data of the *ASEAN Statistical Yearbook*, is also miniscule. The total amount of FDI inflows to ASEAN countries (excluding Cambodia) between 1995 and 2004 was $236.55 billion <Table 2>.[13] The annual FDI inflow to ASEAN had been rising before it reached the peak ($33.9 billion) at the time of the Asian economic crisis in 1997, after which it dropped to the lowest level of $13.7 billion in 2002. This drop can be explained by 1) the economic downturn of ASEAN after the crisis and a

<Table 2 > Foreign direct investments in ASEAN by source country, 1995-2004

(US$ million, (%))

Source countries	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
ASEAN	4,654	4,272	5,236	2,731	1,789	763	2,495	3,634	2,302	2,433	30,309
Rest of the world	23,425	25,643	28,695	19,433	25,461	21,909	16,089	10,070	16,145	19,371	206,242
Asian NIEs	2,845	2,242	3,521	1,930	1,629	1,460	1,828	568	1,559	2,428	20,010
Hong Kong	1,271	928	1,885	1,162	698	1,129	-432	205	100	345	7,290
S. Korea	660	504	722	91	529	-45	-265	92	632	897	3,817
Taiwan	914	810	914	678	403	376	2,525	271	827	1,187	8,903
China	**137**	**118**	**62**	**291**	**63**	**-133**	**147**	**-81**	**189**	**226**	**1,018**
	(0.5)	**(0.4)**	**(0.2)**	**(1.3)**	**(0.2)**	**(-0.6)**	**(0.8)**	**(-0.6)**	**(1.0)**	**(0.9)**	**(0.4)**
India	108	69	90	93	42	80	32	96	81	46	737
Japan	5,649	5,283	5,230	3,938	1,688	455	1,606	3,366	2,318	2,538	32,071
EU-15	5,050	7,362	6,334	5,553	9,806	13,480	6,007	4,236	5,230	5,421	68,478
Other EU	1,172	2,121	1,993	1,308	2,242	361	47	852	1,444	937	12,476
Canada	609	205	1,111	-207	-14	-398	-555	-192	-11	92	640
USA	4,318	5,177	4,950	3,222	5,932	7,312	4,569	358	1,395	5,052	42,285
Australie	535	325	246	-302	-935	-303	-95	203	181	393	247
New Zealand	35	31	29	25	80	43	15	54	89	-2	399
All Others	2,967	2,710	5,130	3,581	4,929	-446	2,488	612	3,670	2,241	27,880
Subtotal	28,080	29,915	33,931	22,163	27,251	22,672	18,584	13,705	18,447	21,804	236,551

Note: 1. Figures in parentheses are percentages of China from the Total.
2. Because of statistical irregularities, FDI inflows to Cambodia are excluded.
3. Figures exclude reinvestments and inter-company loans in both Singapore and the Philippines.

Source: ASEAN Secretariat, *ASEAN Statistical Yearbook*, 2005, 142-3.

13) It should be noted that the figures in <Table 2> are net-based, whereas the figures in <Table 1> are gross-based. This can also be applied for figures in <Table 2> through <Table 5>, where ASEAN Secretariat publishes investment statistics on a net-base.

resultant loss of the attractiveness of ASEAN markets, 2) switching some part of world investment inflows away from ASEAN to China.

Again, the total FDI inflows to ASEAN from China was insignificant, a meager 0.4% of the total FDI inflows to ASEAN from outside during the same period. However, both the absolute amount and the share of China rose in the more recent past of 2003 and 2004. This phenomenon certainly reflects the surge of the Chinese economy in recent years.

Examining China's share in the total FDI inflows in each ASEAN country during 1995-2004 reveals that the share is rather low on average (0.4%), although the number is relatively high for the newly-joined former socialist countries of Cambodia, Laos and Vietnam (see Table 3): Brunei, 0.0%; Cambodia, 21.8%; Indonesia, -0.8%; Lao, 6.3%; Malaysia, 0.3%; Myanmar,

<Table 3> FDI inflows into ASEAN member countries by source countries, 1995-2004

(US$ million, (%))

Source Countries	Host Countries										
	Bru.	Cam.	Ind.	Lao	Mal.	Mya.	Phi.	Sin.	Tha.	Vie.	ASEAN
ASEAN	1,405	98	1,888	269	7,989	1,047	1,355	7,145	6,176	2,939	**30,309**
Rest of the world	7,249	412	2,973	251	32,697	2,746	10,857	108,547	27,245	13,265	**206,242**
Asian NIEs	50	131	468	120	2,265	385	930	6,947	3,910	4,804	**20,010**
Hong Kong	31	8	3	2	1,355	329	486	1,319	2,499	1,258	**7,290**
S. Korea	14	48	508	110	200	56	238	786	268	1,590	**3,817**
Taiwan	5	75	-43	8	710	0	206	4,842	1,144	1,955	**8,903**
China	**2**	**111**	**-37**	**33**	**123**	**18**	**304**	**224**	**51**	**189**	**1,018**
India	9	0	-4	1	-6	0	4	733	-5	5	**737**
Japan	394	4	-31	19	5,899	119	3,099	11,309	8,785	2,474	**32,071**
EU-15	6,416	-6	3,776	24	9,428	1758	1,390	39,588	3,330	2,774	**68,478**
Other EU	1	0	643	1	826	2	94	9,524	646	740	**12,476**
Canada	0	12	118	3	358	33	4	22	65	24	**640**
USA	58	11	-1,982	4	10,840	406	2,968	25,740	3,627	613	**42,285**
Australia	46	-2	-169	43	392	7	99	-615	345	101	**247**
New Zealand	233	0	1	0	45	3	-4	110	9	2	**399**
All Others	40	151	191	2	2,527	15	1,970	14,964	6,481	1,540	27,880
Total	8,654	510	4,861	519	40,686	3,793	12,212	115,692	33,421	16,204	236,551

Source: ASEAN Secretariat, *ASEAN Statistical Yearbook*, 2005, 158-9.

0.5%; Philippines, 2.5%; Singapore, 0.2%; Thailand, 0.2%; Viet Nam, 1.2%, and the total ASEAN, 0.4%.

The Share of each ASEAN country out of China's total FDI to ASEAN during 1995-2004, on the other hand, shows that the shares are higher in the original (and more developed) ASEAN countries <Table 4>: Brunei, 0.2%; Cambodia, 10.9%; Indonesia, -3.7%; Lao, 3.2%; Malaysia, 12.1%; Myanmar, 1.8%; Philippines, 29.9%; Singapore, 22.0%; Thailand, 5.0%; Viet Nam, 18.5%.

<Table 4> Foreign direct investments in ASEAN member countries from China, 1995-2004

(US$ million)

Host Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
Brunei	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	1.8	**2.2**
Cambodia	-	-	-	-	-	-	2.9	49.2	26.2	33.0	**111.3**
Indonesia	5.7	0.0	8.0	-44.0	-1.2	-2.8	-1.5	-0.7	-0.4	-0.5	**-37.3**
Lao PDR	1.5	0.4	2.7	2.8	1.1	9.1	11.8	1.3	1.7	0.1	**32.6**
Malaysia	22.5	13.3	43.6	5.5	3.2	0.7	16.9	13.2	1.8	2.0	**122.7**
Myanmar	3.1	2.2	0.4	2.6	0.0	0.0	0.5	4.8	0.0	4.7	**18.4**
Philippines	13.7	3.1	5.8	216.4	64.9	0.0	0.1	0.0	0.0	-0.2	**303.9**
Singapore	81.2	91.9	-18.7	101.1	-10.4	-168.6	91.3	-178.3	136.7	98.3	**224.4**
Thailand	1.9	3.9	-7.8	5.1	-2.1	7.2	1.0	20.0	21.0	1.0	**51.2**
Vietnam	7.2	3.1	28.1	1.7	7.0	21.2	24.2	9.4	1.5	85.6	188.7
ASEAN	**136.7**	**117.9**	**62.1**	**291.3**	**62.5**	**-133.4**	**147.3**	**-80.9**	**188.7**	**225.9**	**1,018.0**

Source: ASEAN Secretariat, *ASEAN Statistical Yearbook*, 2005, 164-5.

2. Sectoral distribution

In terms of the economic sector, most investment inflows from China towards ASEAN during 1994 - 2004 went to real estate (69.8%) and manufacturing sectors (56.5%), whereas it was the manufacturing sector (33.9%) and the financial intermediation sector (23.1%) that occupied the major portions of the total FDI inflows in the ASEAN countries as a whole; and that the real estate sector occupied only 3.9% from all sources <Table 5>.

<Table 5> FDI inflows to ASEAN by economic sector in 1999-2004

(US$ million)

Economic Sector	Source Countries								
	Japan	USA	EU-15	Emerging markets of East Asia					World Total
				Korea	China	H. K.	Taiwan	ASEAN	
Agra, fish., forest	-60	155	171	212	14	-82	87	389	1,027
Mining and quarry.	-183	918	4,975	-11	22	279	26	1,090	11,493
Manufacturing	4,576	3,768	17,134	629	148	365	2,533	5,165	43,028
Construction	118	-400	35	-254	-4	-31	68	120	-448
Trade/commerce	2,883	1,975	2,949	625	66	448	118	1,392	14,419
Finn. Interned.	2,957	8,553	10,526	-36	-124	-339	1,991	1,903	29,362
Real estates	-262	125	888	236	183	36	89	2,808	4,944
Services	546	1,634	1,163	132	42	178	204	1,158	6,550
Others	-670	1,119	3,018	259	-85	495	248	-3,190	15,923
TOTAL	9,903	17,847	40,859	1,792	262	1,350	5,364	10,834	126,296

Source: ASEAN Secretariat, *ASEAN Statistical Yearbook*, 2005, 170-172

Within the manufacturing sector, the majority of Chinese investment headed toward ISIC 20 (Wood products) and ISIC 20 (Paper and Paper products) industries, each occupying 34.2% and 31.8%, during 1999-2003 (see <Appendix 1>). This was possible largely because of two big investments: the paper and paper products industry in 2001 and the wood and wood products industry in 2003. Other industries such as the garment, chemical, furniture and textile industries followed these two dominant industries. Although limited by these two extra-ordinary investments, it can still be said that Chinese investment within the manufacturing sector in ASEAN was still concentrated in the light-manufacturing areas (especially wood and paper industries), and investment towards electronics and IT-related industries was still not significant during this period.

Ⅳ. Reasons for Chinese Investment in ASEAN

Among various reasons Chinese firms go abroad, the main motives for heading toward ASEAN countries can be viewed mainly as the following: (1) Market-seeking motive to escape the saturated domestic market and to explore the overseas market; (2) Efficiency-seeking motive; (3) Resource-seeking motive to get access to limited natural resources. The created-asset-seeking motive can be excluded here in ASEAN countries because the motivation is usually applied to its investment towards technologically-advanced developed countries. In addition to these three motives, there are other reasons that can be considered in this context of Chinese investment in Southeast Asia. They are (4) the government policies of China and (5) the policies of hosting ASEAN countries as well as the presence of an ethnic Chinese network in the region.

1. Market-seeking motive[14)]

The first example is the Haier Group, which is the most influential home-electronics maker in China, and its share in the Chinese home electronics market leads other firms by a big margin. However, as the Chinese home electronics industry develops and expands rapidly, the price competition among domestic makers has become quite fierce. And as the prospect for further expansion of the domestic market share in China became uncertain, the Haier Group began turning to the overseas market. The first investment by Haier in ASEAN started with an establishment of local entities in Indonesia in 1996, which was followed by a similar establishment of such

14) Most of the examples introduced here are from Maie (2007: 60-64).

firms in the Philippines, Malaysia, Viet Nam and Thailand between 1997 and 2001. The Haier Group segmented each market and discriminated products in accordance with the needs of local consumers, and thus succeeded penetrating in these various countries within a relatively short time period.

The second example is TCL, another huge home-electronics maker that began going abroad in 1999. It adopted an overseas development strategy that explores and accumulates experiences in the 'easier' developing country market first and then enters into the advanced country market later. The developing countries that TCL aimed for were mainly emerging markets of India, Russia and ASEAN. TCL's sales of color TVs in these emerging markets reached 57% of its total overseas sales in 2004. TCL's investment method in ASEAN was establishing branch offices for sales in Vietnam, Philippines, Indonesia, Singapore and Thailand. It now has a network of 200 sales- specializing branches and more than 100 repairing-service stations in Vietnam. It has a network of more than 150 large retailers and more than 1000 small sales shops in the Philippines. The production is made by joint-ventured factories, which are located in Vietnam, Indonesia and Thailand. In contrast to a marketing strategy of high-quality, high-price usually taken by Japanese firms, TCL's products are situated between local brands and Japanese brands and they maintain a competitive edge in terms of function, design and price. TCL also strengthens a close cooperative relationship with local, ethnic Chinese companies and uses this sales network in order to penetrate the local market. For its R&D activity, TCL is utilizing 200 technicians in the R&D center of Thompson (TCL bought this French firm in 2004) in Singapore.

Lastly, the big two-wheel drive maker, Lufan, entered the ASEAN market in the late 1990s, and the company now sells its products to nine ASEAN countries except Brunei. Lufan considers three ASEAN countries of Indonesia, Vietnam, the Philippines, plus Nigeria and Iran as its five major overseas markets. The management strategy of Lufan in ASEAN markets is to venture into the market with a low price. For example, when the company first ventured into Vietnam, the price of Japanese motorcycles (100cc) was \$2,000. Lufan set its price, \$700, which was \$1,200-\$1,300 lower than the Japanese product. With this low-priced advantage, the company gained a significant market share within a relatively short time period. Lufan, in one of its efforts for globalization, intends to construct overseas factories. More specifically, it plans to set up factories in Indonesia and Cambodia from which it aims to explore ASEAN markets.

2. Efficiency-seeking motive

Efficiency-seeking motive is usually referred to when seeking a lower cost of production. Wage rates and office or factory space-rental costs used to be much higher in the metropolitan cities of Southeast Asia than in China in the past. But recently, these costs, especially in the coastal cities of China, have gone up quite high so that in some cases, the cost of production in China became higher than those in the rival cities of Southeast Asia <Table 6>. Indeed, if we add welfare expenses usually given to Chinese workers, the de facto cost of production would have been quite high. This certainly motivates Chinese firms to seek lower cost regions within and outside the country.

<Table 6> Comparative Investment costs among various cities in ASEAN and China, 2006

(US$ per unit)

	Wage (ordinary) (month)	Factory space (purchasing) (m^2)	Factory space (rent) (m^2, month)	Office space (rent) (m^2, month)	Electricity (Kw)	Industrial Water (m^3)
Jakarta	177.7	40-45	4.1-4.6	23-26	0.05	1.2
Phenom Phen	100	35-50	1.5-2.0	8	0.16	0.23-0.35
Bangkok	164	61.6	5.2-5.5	13.69	0.05	0.27-0.58
Manila	263-303	45-50	1.0	7-8	0.1	0.48-0.54
Hochiminh	122-216	Not possible	0.15	35.2	0.05-0.06	0.28
Yangon	19-31	-	0.25-0.33	15	0.08	0.88
Kuala Lumpur	221	5.5-11.0	-	10.4-15.1	0.05	0.49
Guangzhou	134-446	32-51	2-5	18-20	0.04-0.1	0.2
Qingtao	70-152	19	1.3-1.5	32	0.1	0.4

Note: This survey was taken in November 2006.
Source: JETRO (Japan External Trade Organization): www.jetro.go.jp/jetro-file/cityselect.co

3. Resource-seeking motive

China has been seeking energy and other natural resources all over the

<Table 7> Resource-seeking investments by Chinese firms in Southeast Asia, 2002-2005

Acquiring firm	Target firm	Industry	Host location	Equity interest and acquisition value
Petro China Co. Ltd	Devon-Energy -Indonesian Oil	Oil	Indonesia	100% equity stake for $262 million
Petro China Co. Ltd	AHIH (Amerada Hess Indonesia Holdings Co	Oil	Malaysia	50% equity stake
China National Offshore Oil Co (CNOOC)	Repsol-YPF Sa	Oil	Indonesia	Nine subsidiaries in five Oil and gas fields for $585 million
China National Offshore Oil Co (CNOOC)	Tangguh Gas Fields	Gas	Indonesia	12.5% stake from BP for $275 million
China Aviation Holdings	Singapore National Oil	Oil	Singapore	34.4% equity stake for $75.8 million

Sources: UNCTAD (2003, 7) and KIET (2006, 12).

world – from Africa to South America. As was mentioned earlier, this has been more acute in recent years when the demand for natural resources - especially the demand for energy - began soaring. Southeast Asia is not an exceptional area in this endeavor. <Table 7> shows a list of Chinese overseas investments that were aiming for energy resources in Southeast Asia during 2002 -2005.

4. Government policies of China on investment towards ASEAN

China's investment as well as trade relationship with ASEAN is driven by a political logic to respond to challenges posed by competitive regionalism in the world economy, to cement growing economic ties with Southeast Asian nations, to secure raw materials crucial to its economic development, and to ensure a peaceful and stable environment close to home so as to buttress China's growing influence and counterbalance American and Japanese power" (Wang, p. 18). As a specific example, The Ministry of Commerce, together with the Ministry of Foreign Affairs, announced the 'Industry Guidance for Chinese Firms by Overseas Investing Countries' in July 2005. Among the total 67 countries listed, 23 are Asian countries that include 10 ASEAN countries (see <Appendix 2>).

5. Presence of ethnic Chinese network in Southeast Asia

ASEAN countries provide various incentives to foreign investors regardless of their origination. Examples of these incentives include tax holidays and reduced corporate income tax, preferential local financing, eliminated or reduced tariffs on imported inputs, provision of low-priced factory space usually in industrial complexes or in free trade zones, provision of administrative conveniences, etc. These incentives can be "pull" factors, which are intended to attract foreign investments. A more specific example of these incentives aimed for Chinese investors is the provision of an industrial complex in the Tanjun Marim district in Vera Province, Malaysia (Paik 2006: 288).

Besides these usual incentives, however, the presence of the ethnic Chinese network in Southeast Asia is the most important aspect that MNCs in no other countries can have better access. In fact, it is widely acknowledged that many top-level financial and non-financial companies in Southeast Asia are ethnic Chinese companies <Appendix 3>. These companies can usefully be utilized as a commercial as well as a financial network for Mainland Chinese investors.

Ⅴ. Conclusion: Future Prospect of China's Investments in ASEAN

There are many positive reasons that lead us to believe that Chinese investment towards ASEAN will significantly continue to grow in the near future. Among these, first, the economic relation between China and ASEAN is approaching very closely and rapidly. In 2006, the trade volume between the two increased 23.4% from the previous year, thus reaching $160.8 billion. ASEAN is now the fourth largest trading partner to China. The Ministry of Commerce of China expressed that "strengthening economic cooperation between China and ASEAN is congruent with basic interests of both countries. The future perspective of economic cooperation on all fronts, based on the continued development of the economic relationship between China and ASEAN and also on the formation of ACFTA, is very promising." The Ministry of Commerce added that "President Hu Jin Tao clearly suggested that the trade volume between China and ASEAN should reach $200 billion by 2010, when he visited ASEAN in April 2005. By then, the markets of China and ASEAN will be more open, and the absorptive capacity of overseas investment will be further enhanced so that China and ASEAN will be good neighbors, friends and partners sharing the same prosperity and wealth" (Maie 2007: 65).

Second, the geographical, cultural and historical proximity of South East Asia to China is certainly one of the most important factors to consider. These factors seem non-economic in nature. But looking closely, we can interpret and understand these in economic terms; they allow lower costs of transactions and worker-trainings for the investing firms, at the same time when they allow expanded and strengthened market demand.

While there has been a progress for closer economic cooperation and the expansion of Chinese investment in ASEAN, there are also many problems and tasks facing Chinese corporations in their business operations in ASEAN:

First, although Chinese firms achieved in securing necessary natural resources, brand name recognition and technologies to a certain extent, some companies are already showing operational difficulties. This can be a consequence of management mistakes, lack of prudent acquisition strategy, inexperience in dealing with changes in market environment, and an ineffective process of localization. In short, they have to overcome low international competitiveness of enterprises in relevant fields and lack of experiences on risk assessment and risk control in the international-commercial competition.

Second, they have to escape low-level price competition. Chinese firms faced inferior conditions of brand-name recognition, market share, product technology and R&D capacity in their business operation in ASEAN. True, they achieved some fruitful results by adopting strategies of market development of low value-added products and of gaining market share through advantages in price and after-services. However, as more of the other Chinese firms with similar competitiveness entered the market, the profitability worsened, advantages weakened and market share destabilized. For example, Lufan operated a similar pattern of business with Kano Group and other Chinese motorcycle makers in ASEAN, and as a result of this competition with other Chinese companies the profitability of Lufan greatly diminished (Maie 2007: 65).

Third, sometimes these companies depend on, not their own capital strength but, governmental assistance so that a large amount of money borrowed from the government is carelessly dispensed. A higher-than-market-price purchase is not the only example. A lack of an effective supervisory system often results in capital flights overseas and misuses of investment funds.

Fourth, Chinese firms often face keen and cautious scrutiny from other countries, even from the host countries. They face such restrictions as geo-political factors and the argument of 'China Threat' especially in the field of energy and resources (Wenke and Qiang, 8-14). An example is their attempt to acquire or to take a stake in overseas petroleum companies and meeting resistance (cases of Unocal (USA) and Rosneputi (Russia). They are even criticized for being neo-colonialist in some of their deals in Africa. Chinese should keep in mind that their southern neighbors in Southeast Asia still fear Chinese economic influence because they consider China as a threatening rival.

For all these problems and difficulties facing Chinese firms that invest in ASEAN, however, it is likely that positive forces will outweigh negative aspects, so that Chinese investment towards ASEAN will continue to expand in both amounts and economic sectors in the near future. True, the China's overseas investment is also still meager in amount and narrowly concentrated geographically, in addition to the fact that it has only a limited year of overseas investment experiences so far. For example, most of China's overseas investment has gone to Asian countries and further, the bulk of this investment in Asia has been concentrated in Hong Kong. Therefore, China's investment in South East Asian countries – more specifically ASEAN countries – is thus rather insignificant compared to that in other countries or regions so far. Nevertheless, a lack of experience is not an extraordinary phenomenon when a firm begins operations in another country, and making profit or experiencing loss can also be considered part of a daily routine in the business world.

Indeed, the future prospect of China's investment in ASEAN as well as in the world as a whole looks positive and promising. For example, the Deutsch Bank predicts that the annual average rise of overseas investment of China in the next five years will be over 20%, reaching $60 billion in 2011 to become the largest overseas investor in Asia. Further, the investment in the energy sector is predicted to occupy two-thirds of the total (Deutsch Bank Report in Jan. 15, 2007). UNCTAD also expresses that "the strong growth in China's overseas investment should continue in the coming years. China, ranked 17th in the world among outward investors in 2005, is likely to become an even more important source of FDI in the near future" (*WIR* 2006, 55). Along with the rise of overall Chinese investment abroad, the Chinese investment in ASEAN in search of market, efficiency, and natural resources, is also expected to expand further.

Key Words: Chinese overseas investment, 'Going-global', FDI, ASEAN.

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Appendices

<Appendix 1> Administrative foreign investment data –cross tabulation by industry classification, from China to ASEAN, 1999–2003

(US$ million)

ISIC code	sectors	1999	2000	2001	2002	2003	1999-2003
15	Food Products & Beverages	1.00	4.97	17.85	16.27	4.79	44.88
16	Tobacco Products	-	-	1.29	0.33	1.27	2.89
17	Textiles	6.88	30.29	32.56	16.12	4.69	90.54
18	Wearing apparel	12.28	0.70	2.48	143.74	22.70	181.90
19	Leather, luggage, handbags	0.15	0.00	0.35	0.70	32.00	33.20
20	Wood products	8.12	3.40	7.12	1.23	810.95	830.82
21	Paper and Paper products	1.00	0.00	760.19	8.91	0.78	770.88
22	Publishing, printing	-	0.52	0.64	0.20	-	1.36
23	Coke, refined petroleum	-	-	-	-	-	-
24	Chemicals	1.27	2.14	74.63	7.55	11.15	96.74
25	Rubber and Plastics	1.98	2.53	2.30	5.94	15.21	27.96
26	Other non-metallic	2.66	1.68	2.46	27.75	3.81	38.36
27	Basic metals	0.01	-	2.69	2.10	47.76	52.56
28	Fabricated metals, (ex. M&E)	0.03	4.07	2.42	4.10	1.69	12.31
29	Machinery & Equipment	0.16	16.13	9.38	1.10	1.92	28.69
30	Office and computing machinery	0.06	0.05	0.49	-	-	0.60
31	Electrical machinery	-	2.51	1.07	6.23	4.61	14.42
32	Radio, TV and commun. Equip.	4.34	3.81	2.91	2.25	6.48	19.79
33	Medical, Precision & Optical	0.03	2.03	0.18	-	-	2.24
34	Motor vehicles	0.01	12.11	22.33	27.53	4.10	66.08
35	Other transportation equipment	-	8.00	0.00	8.01	-	16.01
36	Furniture	0.01	4.01	81.91	3.73	4.26	93.92
37	Recycling	0.00	0.03	0.00	-	0.31	0.34
	Others	-	0.30	-	-	0.37	0.67
	Total	39.98	99.30	1025.26	283.79	978.85	2427.18

Source: ASEAN Secretariat, *Statistics of FDI in ASEAN* (7^{th} Ed.), 2005, Table 5.1.

<Appendix 2> Industry guidance for Chinese firms, by overseas investment countries (ASEAN)

Country	Agri. Fish. & Forest.	Mining & Quarrying	Manufacturing	Services	Others
Thailand	Planting Potatoes, Forestry	Kalium, Tungsten, Antimon	Textiles, Electric Machinery (Motor- Air-con -Refreg.) Agri. machinery Chemical raw materials and products, Pulp and paper products, Rubber products	Trade, Retailing, Construction, Tourism	
Singapore			Bio-medicine, Electric-Precision engineering Petroleum manufacturing	Trade, Retailing, Storage, Transporta. Financing Construction R&D	
Lao PDR	Forestry Grain	Kalium ore	Power generator & electric machinery & equipment, Motorcycle, other transport. equipments,, Paper & paper products		Electricity Production & supply
Myanmar	Forestry Grain Fishery	Petro, Natural gas Tungsten, Nickel Copper, Jewelry	Agri. & electrical machinery, Automobiles, Motorcycle, other transport. equipments, Paper & paper products, Chemical raw materials and products, Wooden and bamboo products	Construction	
Viet Nam	Tea leaves, Fishery cultivation	Bauxite, Coal, Steel, Chrome	Electric power generator, Air-con, freezer and other electric machinery, Automobiles, Motorcycle, other transport. Equipments, Cement and const. materials, Agri. & agri. machinery, Paper & paper products, Animal feed & food products	Trade, Retailing, Construction, Tourism	Electricity Production & supply, Railroad, Commun. networks
Cambodia	Forestry Grain		Textile-apparels, Shoes-hats, Diesel engines, Tobacco products, Automobiles, Autobike, other transport. equipments	Construction, Tourism	
Philippines	Fishery Rice	Copper, Nickel	Freezers, Air-con, other elect. machinery, TV &, Electric machinery & equipment, Automobiles, Motorcycle, other transport., Agriculture	Construction, Transportation	Electricity Production & supply
Malaysia	Forestry	Gold, Coal	Agri. machinery, Landscape equipment, Paper & paper products, Iron bars, Electric machinery & equipment, Rubber products, Palm oil, Chemical raw materials and products, Metallic	Retailing, Construction, Tourism, SOC const.	
Indonesia	Fishery Forestry	Petroleum Natural gas	Elect. Machinery and equipment, TV, display equipment, Auto-bicycle and other transport equip. Chemical raw mater. & equipment. Bamboo products	Transport. Construction, Tourism	Electricity Production & supply
Brunei	Rice culti. Fishery	Petroleum Natural gas			

Source: Ministry of Commerce (China); Requoted from Maie (2007, p. 54).

<Appendix 3> Selected large "Ethnic Chinese" companies in South-East Asia, ranked by market capitalization

(US$ million)

Non-financial companies					
Company	Country	Industry	Market Value	Sales	Geographic scope
Singapore Press Holdings Ltd.	Singapore	Publishing	4,021	581	Regional
City Development Ltd.	Singapore	Hotels	3,928	1,408	Global
Genting Berhad	Malaysia	Hotels	3,541	1,223	Regional
IOI Corporation Berhad	Malaysia	Agri. & Fish.	3,032	1,314	Global
Shin Corp. Public Company	Thailand	Telecom.	2,725	493	Regional
YTL Power International Berhad	Malaysia	Utilities	2,643	891	Global
Venture Corporation Limited	Singapore	Electronic equip.	2,550	1,889	Global
YTL Corporation Berhad	Malaysia	Utilities	2,189	1,160	Global
Fraser and Neave Limited	Singapore	Soft drinks	2,170	2,039	Global
Want Want Holdings Limited	Singapore	Food Products	1,673	524	Regional
Financial companies					
Company	Country	Industry	Market Value	Sales	Geographic scope
United Overseas Bank Ltd.	Singapore	Banking	12,971	1,928	Global
Overseas-Chinese Banking corp.	Singapore	Banking	10,820	1,564	Global
Public Bank Berhad	Malaysia	Banking	6,008	1,328	Regional
Bangkok Bank Public Co. Ltd.	Thailand	Banking	4,671	1,203	Global
Great Eastern Holdings Ltd.	Singapore	Life Insurance	4,049	4,661	Regional
Kasikorn Bank Public Co. Ltd.	Thailand	Banking	3,162	878	Global
Hong Leong Bank Berhad	Malaysia	Banking	2,162	367	Regional
Hong Leong Credit Berhad	Malaysia	Banking	1,063	668	Global
Bank of Ayudhya Public Co. Ltd.	Thailand	Banking	856	387	Regional
Metropolitan Bank & Trust Co.	Philippines	Banking	847	410	Global

Source: UNCTAD, *WIR 2006*, p. 129.

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<한글초록>

중국의 대 아세안 FDI

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중국은 과거에도 그리고 현재까지도 국제적 직접투자의 블랙홀이었다. 그러나 중국은 최근 (특히 2000년 10월의 '走出去' 정책의 채택 이후) 다양한 이유로 - 즉, 시장에 접근하거나, 보다 높거나 필요한 기술을 얻거나, 에너지를 포함하여 필요한 천연자원을 얻거나, 등의 - 해외투자를 가속화하기 시작하였다. 개발도상국 역시 해외투자를 한다는 것은 새로운 현상이 아니다. 그러나 중국의 해외투자 상승은 최근 그 금액 및 속도의 빠른 상승이라는 측면뿐 아니라 장래 세계의 다른 국가들에 주는 커다란 영향 때문에 그 중요성이 특히 크다 할 것이다. 이 논문에서는 특히 중국의 남방 인접국인 아세안 국가들로의 중국기업투자를 조사한다. 그러나 아직까지 아세안에 대한 중국의 투자는 그 규모 및 타 지역과의 비중 면에서 그리고 아세안의 대중투자와 비교하여도 미미한 실정이며, 더욱이 계량분석을 위한 자료 역시 충분히 축적되어 있지 못한 실정이다. 그러함에도 불구하고 최근 급증하는 양자간의 무역규모 및 심화되는 경제협력 (예컨대, 중-아세안 FTA) 이라는 경제적 요인 그리고 정치 및 안보상의 요인 때문에 중국의 대 아세안투자는 주목되어야 할 것이다. 따라서 이 논문에서는 주로 아세안지역에 대한 중국의 투자를 주로 경제적 측

면에서 살펴보는 바, 보다 구체적으로는 중국기업의 미시적 투자동인 (시장추구형, 효율성추구형 및 자원추구형)들과 거시적 정책환경 (중국정부의 ‘push’ 요인 및 아세안국가들의 ‘pull’ 요인) 등을 중심으로 살펴본다.

주제어: 중국의 해외 직접투자, ‘走出去’, FDI, 아세안