AEI

Better but Not Well: China's Global Investment Needs More Fuel

Derek Scissors

January 2024

Key Points

- In 2023, China's documented global investment grew strongly off a poor 2022. The electric vehicle supply chain, starting with nickel mining in Indonesia, attracted the most funds. China's global construction was flat, but implementation of construction takes longer.
- A surge after the end of "zero-COVID" policies makes sense. But official Chinese outbound investment remains exaggerated because the Ministry of Commerce claims COVID-19 was good for outbound investment in 2020–21. Overwhelming evidence says otherwise.
- Chinese investment in the US in 2023 was low. In contrast, American investment in China in 2023 is unknown, and American investment in Chinese technology in any year is unknown. This lack of information is more pressing than China's current global spending.

China's outward investment and construction in 2023 mirrored its economy at home. Last year was certainly better than 2022, but not as good as hoped. The world is different than it was before COVID-19, and it will be difficult for China to re-craft authentic overseas investment and construction levels matching the middle 2010s.

China's Ministry of Commerce (MOFCOM) insists COVID and "zero-COVID" policies were good for the country's outward investment, with a 20 percent increase in annual spending from 2019 to 2022.[1] This is not credible. The ministry claims the majority was sent to Hong Kong (population 7.5 million), followed by offshore financial centers like the British Virgin Islands, which obscures capital flows. The next leading recipients were rich countries such as the US, but these report weak inbound Chinese investment. There are other pockets of strength, but not nearly enough to justify Beijing's portrait.[2]

The obvious conclusion is China's recent outward investment data have been altered, no longer representing what they did when activity was more robust. Verification is challenging because MOFCOM does not document individual transactions. The China Global Investment Tracker (CGIT) does, using disclosures from the companies involved. The CGIT is the most complete public record of China's investment and construction overseas, with 4,300 transactions from 2005 through 2023.[3] Through 2019, it roughly matched MOFCOM's outbound investment figures.

The CGIT does not include transactions smaller than $95 million, hence missing more if average transaction size falls. It understates the People's Republic of China's (PRC) activity when small deals are more appealing. But large deals should be visible in corporate statements, and starting in 2020, they are not. Unlike MOFCOM, the CGIT shows an unsurprising sharp drop in investment in 2020–22 versus

2017–19. The CGIT's results fit those published by the PRC's partners.

In 2023, zero COVID ended, yet MOFCOM shows an investment rise similar to 2020 and 2021. The CGIT's 2023 spending climbed far quicker—more than 40 percent to $56 billion. Leading countries were Indonesia and Hungary, two participants in the battery supply chain for electric vehicles. This is also reflected in transportation and metals, which were the top sectors.[4] Now important, the battery chain is not by itself big enough to continue the surge. The 2010s saw large state-sponsored transactions that richer countries may no longer permit and poorer countries may fear on debt grounds. To sustain the 2023 pace in 2024, another hot sector or the return of investment in Russia would be required.

The same is true for the PRC's outward construction. Investment brings ownership and an indefinite presence in the host country, but it's often confused with construction of power plants, ports, and the like. China's overseas building and associated lending neither ensure ownership nor last indefinitely. The average investment transaction is larger than recorded for construction, but the CGIT records about the same number of deals of each type since 2005 (even while missing early construction contracts).

The PRC's many COVID-related restrictions hit construction as they hit investment. And the construction recovery is necessarily slower because projects take longer to verify. Construction activity was flat compared to 2022, but this will change as more 2023 transactions are confirmed this year. For the moment, the leading country was Saudi Arabia, and not coincidentally, the leading sector was energy.

Though huge investment numbers are tossed around, the Belt and Road Initiative (BRI) is primarily construction. Official statistics typically count 60-odd countries, yet 152 are listed on the government portal.[5] The CGIT uses the latter to see the BRI's maximum extent and finds $390 billion invested and $570 billion built since the BRI's inception in late 2013. This broad version of the BRI dominates Chinese construction globally and could become more important in investment, if rich countries remain suspicious of the PRC.

One of the suspicious rich countries is the US. Peaking above $50 billion in 2016 (excluding bonds), Chinese investment in the US during 2020–23 totaled only $9.7 billion. The PRC is not buying much American land—or anything else. Since 2017, changes in the amount of money headed from the US to the PRC have been more important.

The Committee on Foreign Investment in the United States (CFIUS) prevents foreign acquisition of sensitive technology at home. On paper, American technology exports are controlled.[6] Yet American investment supporting technology in China goes unmonitored. At the end of 2022, US portfolio investment in the PRC, including Hong Kong, totaled $910 billion, an unknown amount in technology because American policymakers have chosen not to know.[7] From the BRI to American investment in China, good policy is impossible without good information.

CGIT vs. MOFCOM

Chinese enterprises almost never disclose depreciation of outward investment, and the CGIT does not estimate depreciation. Since the PRC's spending faded from its 2016 peak, and certainly during the pandemic, there have been cases of disinvestment. When disinvestment incurs a loss, it's included in "troubled transactions"—where investment or construction is impaired after a commercial agreement is finalized. Disinvestment is not otherwise measured. CGIT figures are thus gross outlays, as are the flows reported by MOFCOM.

The CGIT's sources are the firms engaged in the transactions, whether Chinese or foreign. Firms may disclose transactions and later revise, and the CGIT is revised semiannually. The CGIT does not cover loans, trade, or bond purchases. Its other limitations feature companies typically revealing total amounts, not annual chunks. The best single date to attach to a transaction can therefore change over time or be misleading. Corporate disclosure is of lower quality when investment or construction occurs in less transparent countries. The $95 million cutoff can strongly affect results for small economies.

From 2005 through 2023, there are 2,154 investments of the required size, valued at $1.43 trillion. There are 2,143 engineering and construction projects, worth $945 billion. There are 370 troubled transactions, worth close to $440 billion.

In 2020–22, recorded transaction size declined, suggesting fewer transactions qualified for inclusion in

the CGIT. But even if the CGIT is missing transactions, it's unclear how MOFCOM can justify its numbers. For years, the two series fit well in totals and growth (Table 1). In both, investment rises strongly until a 2016–17 peak. (Chinese regulators imposed tighter controls in late 2016, and key foreign partners also restricted Chinese capital in 2017 and after.)[8] From 2005 through 2019, the CGIT documents nearly 88 percent of the investment MOFCOM announced, with the gap easily attributed to the omission of smaller deals.

That changed dramatically in 2020, with spillover effects still being felt. The CGIT methodology that worked for 15 years unsurprisingly identified far fewer transactions in 2020. More small transactions may have been missed, but companies publicly reported far fewer large deals than they did previously. This is not a function of low transparency; MOFCOM says the large bulk of total investment was outside the BRI. It was either invisible in rich countries, after being visible through 2019, or occurred in offshore financial centers, where its status as genuine outward investment is dubious.

Somehow, MOFCOM decided COVID's outbreak was good for investment, though large deals were not announced and no major partner recorded a rise in inbound Chinese investment. This is not reasonable. Nor is it an issue of delayed reporting, since the ministry claims investment increased again in 2021. MOFCOM does not document transactions, simply asserting 2020–22 was better than 2017–19. As China suffered from COVID, then its partners did, then China suffered economically from zero-COVID policies, the ministry shows overall improvement.

In fact, MOFCOM growth rates for 2021 and 2022 fit CGIT growth rates fairly well. And the faster growth for the CGIT in 2023 could be the start of narrowing the gap again. The problem is MOFCOM's unreasonable base level in 2020. It's possible a large amount of money was sent offshore but not invested. It's also possible the ministry followed operating procedure by refusing to report a sharp decline.

MOFCOM's representation of COVID as causing firms to spend more yet stop disclosing mirrors other COVID-era statistical nonsense from the central government.[9] It also mirrors some of MOFCOM's longer-term practices. Monthly totals for "nonfinancial direct" investment do not sum to the final annual figure, which is larger. Then "financial direct" investment is added in. The nonfinancial total through November 2023 was said to rise 13 percent on year to $116 billion. But final 2022 nonfinancial investment was put at $141 billion (plus financial investment).[10] MOFCOM's on-year growth figures mean little, because mysterious revisions higher are pending for 2023, as in every year.

MOFCOM had Singapore, then the US, as top national recipients in 2022, at $15.6 billion combined. This does not fit especially well with what the two

Table 1. Two Views of Chinese Outward Investment

	CGIT (Billions)	MOFCOM Headline (Billions)	CGIT Growth	MOFCOM Growth
2005	$10.2	$12.3	—	—
2006	$20.1	$21.2	97%	72%
2007	$30.1	$26.5	50%	25%
2008	$54.8	$55.9	82%	111%
2009	$57.2	$56.5	4%	1%
2010	$66.3	$68.8	16%	22%
2011	$70.1	$74.7	6%	9%
2012	$77.6	$87.8	11%	18%
2013	$74.5	$107.8	–3%	23%
2014	$100.7	$123.1	35%	14%
2015	$115.3	$145.7	14%	18%
2016	$167.4	$196.2	45%	35%
2017	$174.6	$158.3	4%	–20%
2018	$121.4	$143.0	–30%	–10%
2019	$100.3	$136.9	–17%	–4%
2005–19	$1,241.0	$1,414.0	—	—
2020	$45.3	$153.7	–55%	12%
2021	$51.0	$178.8	13%	16%
2022	$39.4	$163.1	–23%	–9%
2023	$56.0	$183.8*	42%	13%*

Note: Numbers may not add due to rounding. The CGIT is revised with each update. * Extrapolated from official figures for the first 11 months.
Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, http://www.aei.org/china-global-investment-tracker; Chinese Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange, "2022 Statistical Bulletin of China's Outward Foreign Direct Investment," September 2023; and Xinhua News Agency, "China's Non-Financial ODI up 18.4 Pct in First 11 Months," December 21, 2023, https://english.news.cn/20231221/6f5b78e4efd84a67926cd9512ab92de6/c.html.

countries themselves report,[11] but the gap size is not that important. The British Virgin Islands and the Cayman Islands took in almost $15 billion combined, and they are also not that important. Hong Kong was said to attract $97.5 billion, or 60 percent, by itself. Money is routed through Hong Kong on the way to other destinations. When the offshore financial centers are included, there are no counterparty statistics for over 70 percent of the investment volume MOFCOM claims. The CGIT provides the counterparties.

In addition to poorly documented flows, there have been unexplainably sharp changes in MOFCOM's outward investment stocks. In the same annual report, MOFCOM says investment flow in 2021 was $179 billion and investment stock increased $205 billion. In 2022, flow was $163 billion, and stock fell $30 billion. The main cause is the British Virgin Islands. In 2020, Chinese investment stock there was $156 billion; in 2021, it was $447 billion; and in 2022, it was $367 billion. Reinvested earnings are already included in flows. Yet from 2005 to 2022, investment stock rose $850 billion faster than annual flows show.

Beyond geography, MOFCOM's classifications also raise questions. Almost half the 2022 flow was reinvested earnings. Reinvestment at that size should be unmistakable in economies hit by COVID. Yet there are no stories of Chinese money saving the day overseas. New equity investment was less than 40 percent of the 2022 total. Of the $61 billion in equity investment, only $20 billion was for mergers and acquisitions (M&A), the lowest figure since 2009. What China reports as high volume is not the same thing as what it previously reported, nor what casual observers consider high investment.

The 2022 China Statistical Yearbook reported 2017 domestic fixed-asset investment as 46.13 trillion yuan. The 2018 yearbook had reported it at 64.12 trillion yuan.[12] The $2.5 trillion cut constituted an enormous improvement in accuracy. Barring a similarly stark revision for official outward investment, it will take years to close the CGIT-MOFCOM gap caused by the latter's nonsensical 2020 total. The CGIT's much faster 2023 growth is a start. If authentic outbound investment, as reported by the CGIT or China's partners, continues to rise strongly, there will be less need to inflate official data. The subtotals for reinvestment and offshore financial centers may be allowed to normalize.

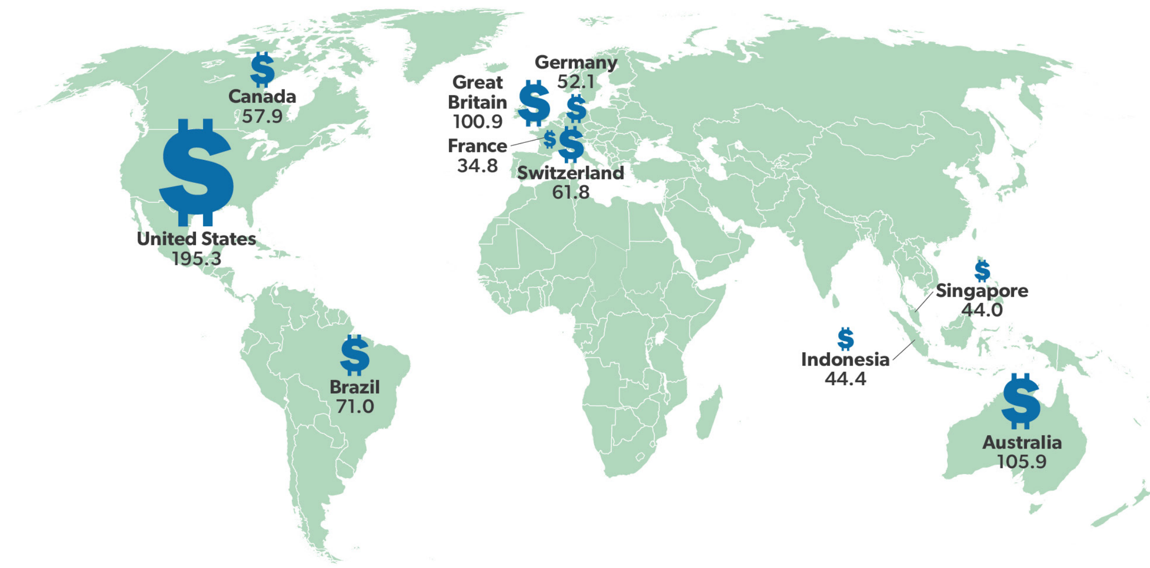
Even then, the CGIT will have advantages over MOFCOM. The ministry does not follow money to its final destination, creating a false role for Hong Kong and hiding true, higher investment volumes with many other partners. This effect is so large that, if MOFCOM's 2020 total is somehow correct, the CGIT still provides clearly better bilateral data, with the US staying as the top genuine national recipient. Similarly, the ministry tries to distract from energy's premier role, plus supporting roles for metals and agriculture, by lumping land and operating rights into its leading category of "leasing and business services."

The word "investment" can be casually used to refer to construction and engineering activity without investment. The PRC may own little in terms of assets in a particular country yet participate heavily in developing rail lines and property, for instance. The CGIT understates 2005–09 construction transactions due to less corporate disclosure during that time. It also understates the most recent period, because construction progress takes more time to be visible. Finally, construction occurs primarily in less transparent economies that are more in need of Chinese assistance. Construction is therefore harder to follow than investment and can diverge from it.

CGIT construction volumes have always been lower than in the most comparable MOFCOM data. In comparison to the CGIT limits just noted, MOFCOM has a problem with double counting. If a Chinese enterprise invests in a project and a Chinese enterprise engages in associated construction, the ministry counts both. Since the same money is involved, the CGIT only counts the investment. These are aggregation problems. At the firm level, CGIT data match pre-pandemic studies of contract revenue, such as for China Energy Engineering, a major actor.[13]

In 2020, CGIT project activity was small, while MOFCOM's fell moderately.[14] In 2021, China's energy loans disappeared.[15] For 2022, the National Bureau of Statistics reported China's overseas labor force fell 19 percent. The ministry's construction totals showed little impact from the absent lending and fewer workers, staying flat in 2022 from a questionably high 2021.[16] Stretching the comparison, MOFCOM's 2022 volume was 12 percent lower than in 2019,[17] lying somewhere between its wildly optimistic investment reporting and the CGIT. The latter has construction volume dropping

Figure 1. Top Recipients of Chinese Investment, 2005–23, US Dollars (Billions)



Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

more than 40 percent from 2019 to 2022, though the number of transactions fell less.

Both the CGIT and the ministry find a far greater role to date for the BRI in construction than in investment. MOFCOM's typical group of 63 BRI members accounts for less than 20 percent of investment but over half of construction. The CGIT's figures for the BRI alone roughly fit official numbers for Beijing's lending to member countries.[18] The lending numbers may be most reflective, since other government data do not break out the Chinese component, giving BRI totals that include the PRC and all other parties.[19]

As in investment, MOFCOM overstated pandemic construction activity. For January–November 2023, the ministry shows only a 7 percent rise in construction activity over a 2022 level that was likely too high.[20] The CGIT also has just a small 2023 gain, but it allows revisions as slow-moving projects qualify. (There is no equivalent to quick acquisitions.) The CGIT's 2023 construction figure will climb. Like investment, it will not return to 2010s levels, even in a strong 2024. Most host countries no longer want large, debt-fueled projects, and the BRI will have to change accordingly. Smaller average project size also means the CGIT misses more transactions and understates activity.

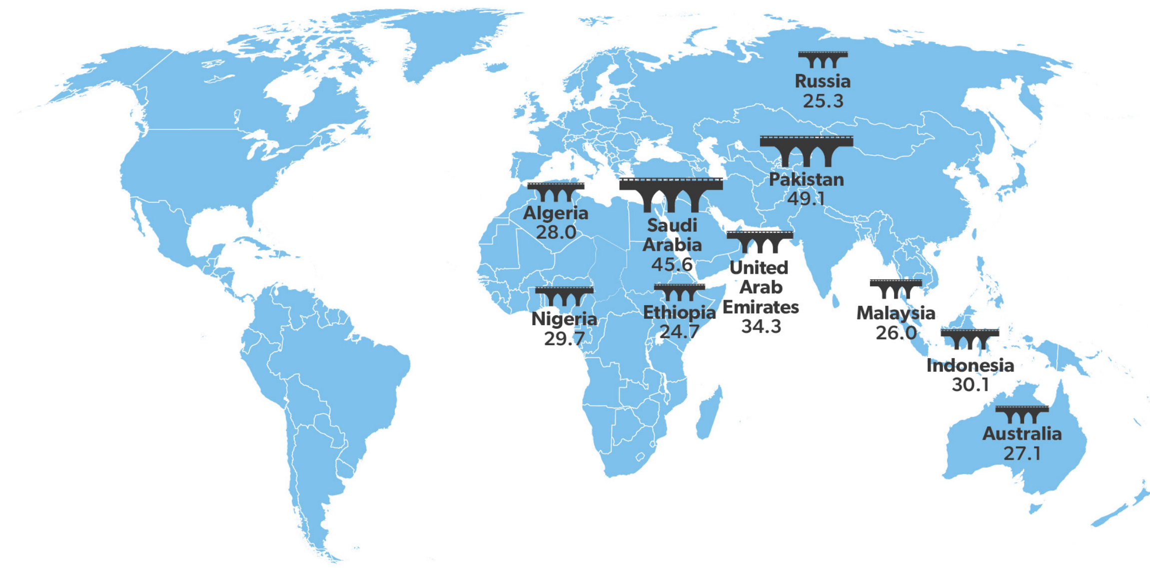
China's Global Footprint

MOFCOM data paint a false picture geographically. Obviously the bulk of investment does not occur in Hong Kong. It either resides there as cash, and hence should not be counted at all, or it proceeds to other countries like Australia and Bolivia. The same is true for money supposedly invested in offshore financial centers. The CGIT uses corporate disclosures to determine whether and when capital is finally allocated.

America is the leading national recipient of Chinese investment. This, however, is old news; the lead is largely due to spending in 2016–17. And the difference in raw economic size between the US and the PRC's other major targets leaves the result unimpressive. The top 10 recipients' share of the total was 54 percent in 2023, from a peak of 59 percent in 2017 (Figure 1). A shake-up in this group in 2024 would be a strong signal of China's reemergence in outward investment. Russia is the obvious choice to return to the top 10, while other countries could be chosen as routes to circumvent American and other tariffs.

Beyond individual countries, the simple way for the PRC's investment geography to change would be a burst of activity in certain parts of the BRI. The BRI as

Figure 2. Top Countries for Chinese Construction, 2005–23, US Dollars (Billions)



Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

a whole will never reach the dizzying heights projected by some, but key members could displace reluctant rich economies as leading investment recipients. This would require greater risk-taking from companies, since the business environment of some BRI countries can be difficult. And Chinese companies would accept more risk if they had a clear sign of support from the central government or party leadership.

For now, the BRI is chiefly about building, not owning. Chinese government data on construction and engineering are either irregular or fail to identify countries and sectors. The CGIT addresses all these shortcomings. All major locations of PRC construction have inked BRI cooperation agreements (Figure 2). Using the full set of countries, BRI construction volume is roughly 35 percent larger than investment, reversing their global relationship. There are frequent worries that Beijing is taking advantage of local stress to acquire key assets. This is possible, but the record says China is building rather than buying.

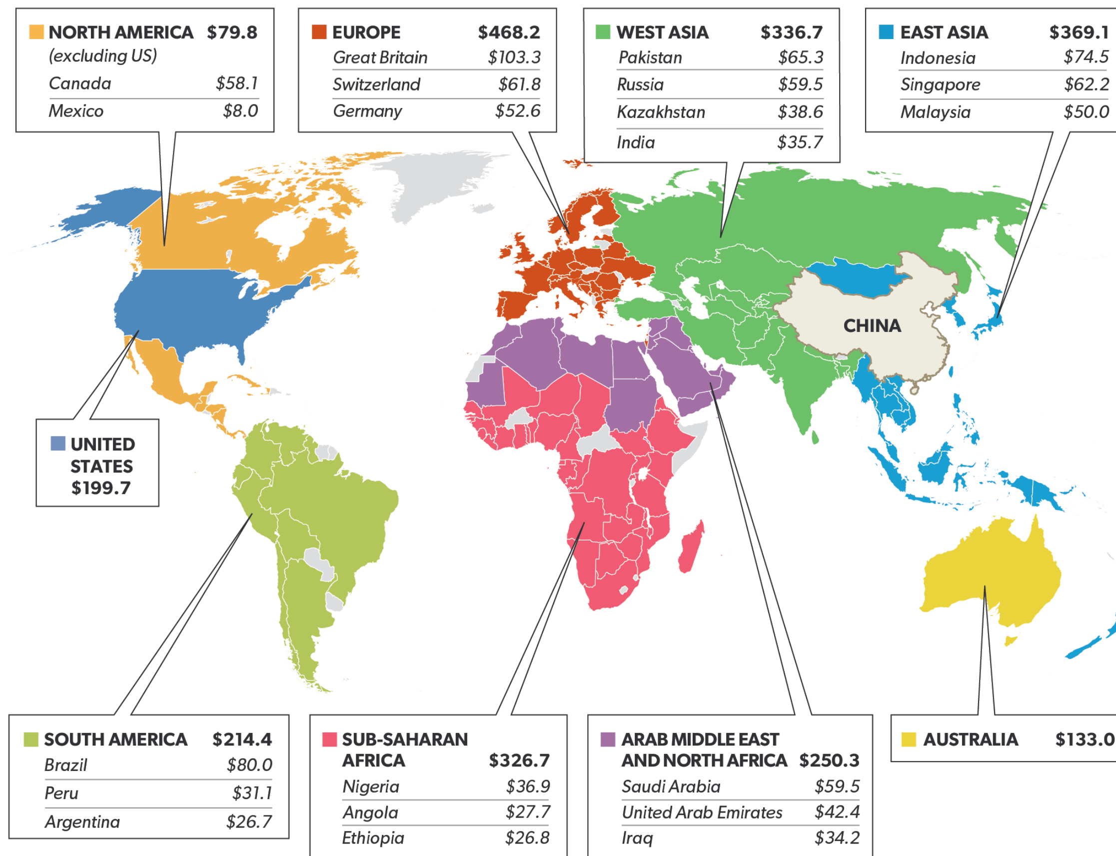
Construction is almost entirely performed by state-owned enterprises, such as State Construction Engineering. Of China's top 25 overseas builders, as profiled in the CGIT, 24 are state owned. (Also profiled, the biggest 75 investors see more private entries.) For decades, such firms have functioned at home in sometimes difficult conditions featuring large compulsory projects. They are prepared to face considerable financial and other setbacks in poorer countries for the sake of political objectives.[21] When the US, EU, or others are said to compete with the PRC in public infrastructure, that can only happen if they accept financial losses.

As long as the ownership share is held, investment can bring returns. In contrast, engineering and construction, even of huge power plants, have a fixed term. Investment is thus generally more valuable for PRC firms and, for the same reason, more sensitive for host countries. Mixing investment and construction is not technically justified, but it does serve to show a clear geographic pattern. Richer countries get more investment and poorer countries more construction, and no one market is vital (Figure 3). Combining investment and construction also reveals scope—approaching $2.4 trillion since 2005.

Before the pandemic, Chinese companies regionally migrated every few years—for instance, from Australia to sub-Saharan Africa early on—in search of commodities. The PRC's enterprises were initially welcomed, but that wore out as more arrived. Most recently, once highly sought Chinese finance is now seen in some

Figure 3. China's Worldwide Reach, 2005–23

From 2005 through 2023, the combined value of China's global investment and construction hit $2.38 trillion. Historically rich economies receive the most investment, with the US the top country and Europe the top region. Pakistan and Saudi Arabia are the leading locations for construction activity. Investment rebounded somewhat in 2023, while construction stayed subdued.



Note: Figures are in billions of dollars.
Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

cases as a "debt trap." There are unjustified expectations by hosts, bad Chinese practices, or just rejection of an excessive PRC presence. But COVID-driven absence can make the heart grow fonder; in 2024, Chinese firms may be welcomed again, at least for a while.

Both the encouraging and discouraging elements of this process lead to geographic diversification. Merely folding Australia into East Asia shows the PRC's combined investment and construction exceeding $200 billion in every region.

This helps fulfill Chinese government goals of diversified supply lines; it's not what most Chinese companies prefer. They'd rather emphasize success within their sectors, regardless of location. By industry, there is clear concentration (Table 2). Energy, led by oil, constitutes 31 percent of investment. The exclusion of purchases below $95 million means property investment is well lower than it would be if individual home purchases could be counted correctly. Pre-pandemic, a number of lower-ranked sectors saw bursts of spending, followed by restrictions imposed either by host countries[22] or the PRC.

Energy as a whole also leads construction, but here more closely trailed by transport. Within energy construction, hydropower has surpassed coal. Within transport, rail and autos continue to duel for the top spot, though autos investment is far higher. Shipping trails. (Troubled transactions are further addressed below.)

One Bounce or More?

In a shock only to MOFCOM officials, the end of zero-COVID travel restrictions and the slow fade of COVID in China early in 2023 enabled a rebound in documented outward investment. With domestic consumption recovering only weakly, sending money overseas could prove to be the true "revenge spending." Even under much better conditions, transactions cannot appear immediately, and the rally should continue to some extent in 2024. It will not be a free-for-all. On the PRC's side, firms will start where foreign policy priorities and industrial policy guidelines indicate Beijing's blessing.

If this year sees another (true) 40 percent jump, the ministry's aversion to instability may see a new and different test. Because genuine 2024 outflows will not touch 2016–17 levels, there's an opportunity for MOFCOM to return to reality. The foolish claim about COVID being a boon in 2020 may come home to roost in record-shattering official volumes this year, while host countries look around and wonder where the money is. In 2016, when official figures were legitimate, Beijing found it unsettling and imposed restrictions. A 2024 "record" would not go over well either; a mediocre domestic economic performance is not a good setting in which to brag about money leaving.

For the longer term, balance-of-payments concerns could develop. The yuan's share of ostensibly global payments in November 2023 was one-tenth that of the dollar, but 80 percent of yuan payments were made in Hong Kong.[23] In the third quarter of 2023, the dollar's share of allocated official foreign exchange reserves was 59 percent; the yuan's was 2.3 percent.[24] While the yuan is an important currency in trade, it is not in investment, and China's global construction and investment largely use dollars.

For now, external finances are healthy, possibly too healthy. Official reserves are manipulated to obscure current account surpluses and have barely budged since 2016, but they exceed $3.2 trillion. In addition, state banks have piled up foreign currency, likely pushing the total over $4 trillion.[25]

Nonetheless, balance-of-payments success has relied on China's enormous exports. Overseas investment and construction have caused losses in the state financial system.[26] Given the primacy of politics in China's overseas behavior and, related, state enterprises' heavy involvement, these losses will likely continue. They will be augmented by a varying extent of outright capital flight.[27] Meanwhile, exports will slowly fade, due to aging. It will take a while, but Beijing will eventually see too much "going out" as risky to payments stability.

Table 2. Sector Patterns, 2005–23, US Dollars (Billions)

Sector	Investment	Construction	Troubled Transactions
Energy	$451.9	$383.7	$145.9
Metals	$181.0	$42.8	$71.8
Transport	$171.4	$271.6	$68.0
Real Estate	$114.7	$101.5	$27.1
Finance	$86.3	$2.2	$42.2
Agriculture	$84.9	$22.1	$14.9
Technology	$76.4	$18.5	$30.6
Entertainment	$59.1	$4.7	$7.5
Tourism	$46.1	$8.5	$7.7
Logistics	$45.2	$6.3	$6.2
Health	$30.8	$6.8	$1.0
Chemicals	$11.0	$25.1	$2.7
Other*	$67.2	$53.3	$11.6
Total	$1,432.3	$945.4	$437.4

Note: * In other investment, the lead sector is consumer goods; in other construction, it is utilities.
Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

The PRC company side is complemented, or not, by the extent and location of foreign interest. An immediate obstacle to a second strong year is global economic struggles. While "debt traps" are often portrayed as some sort of Chinese trick, they can only happen if host country decision makers initially believe debt will be manageable. That is less likely when more potential hosts are struggling economically. This may be the reason the PRC's construction activity, highly concentrated in poorer economies, has to this point failed to match changes in investment, in either the CGIT or official numbers.

For investment, wary receptions in 2024 largely boil down to the seeming impossibility of true reciprocity. What's China's is China's, and Beijing would like to talk about what's yours. From 2005 through 2016, outward investment by the PRC rose almost

continuously, focused on rich economies for the sake of financial return or technology acquisition. There was no corresponding opening in China; it was closer to the opposite.[28]

From 2017 through 2019, both MOFCOM and the CGIT show spending dropping, with the CGIT showing the drop continuing through the pandemic. Reciprocity was cited constantly in 2016–17 as a reason to limit Chinese investment, and it continues to be an irritant.[29] Beijing does not allow any sizable foreign stakes in its mainstay state enterprises, and newly designated strategic sectors quickly get closed off as well.[30] While Communist Party General Secretary Xi Jinping is in charge, it's unreasonable to expect substantial change,[31] and lack of reciprocity will continue to cap outbound Chinese spending.

Directly related to that is a second key reason the PRC is distrusted as a partner: Of the all-time top 75 Chinese investors, more than 50 are state owned on any definition, and several top nonstate investors have collapsed or stopped participating globally. Wisely or not, private PRC firms are more welcome in rich economies, and this shows in ownership shares (Table 3). While amounts were small, the nonstate share jumped in 2021 and stayed high in 2022 and 2023, the latter despite total volume finally seeing a growth spurt. Private capital has cause to exit China, if Beijing permits.

If Xi finds the state sector being left behind globally to be unacceptable, a different development he may accept is state firms engaging in greenfield projects. What qualifies as greenfield investment is to some extent in the eye of the beholder. Less transparent economies make it difficult to be sure of activity before foreign participation. The CGIT is cautious in applying the "greenfield" label and may understate the spending in some years (Table 4). This caution did not prevent the greenfield share from easily setting a record in 2023, if from a much smaller total than in the lean years of 2016–17.

MOFCOM mirrors these results, with 2022 M&A at its lowest since 2009. The "good" years of 2020–22 saw total M&A $55 billion lower than in 2016 alone.[32] When M&A is unwanted, greenfield spending can create jobs in host countries and does not transfer technology, alleviating suspicion. Beijing has sometimes obstructed greenfield outward in favor of greenfield at home. But if outward investment is to return to 2019 levels, either private enterprise must lead or state enterprise must

Table 3. The Nonstate Share of Investment (Percentage)

Year	Share
2013	25.7
2014	29.9
2015	34.9
2016	47.8
2017	30.3
2018	41.7
2019	35.6
2020	30.2
2021	45.4
2022	43.3
2023	45.8

Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

Table 4. The Greenfield Share of Investment (Percentage)

Year	Share
2013	24.0
2014	37.2
2015	24.3
2016	11.5
2017	10.1
2018	31.1
2019	42.7
2020	41.2
2021	40.8
2022	39.9
2023	53.3

Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

break ground before trying to buy assets. The former will happen unless the government stops it; the latter requires the government to actively help.

If Beijing will not cooperate in either sense, the PRC's firms will face ongoing or even rising barriers, due to concerns such as anticompetitive behavior, national security, and safety.[33] Attempts to buy or build might be blocked, becoming part of CGIT's troubled transactions. Impairments can range from regulatory delay to

violence and stem from either the Chinese or partner side. (The pandemic is not included, as its impact cannot be properly estimated.)

Because investment volume is much bigger than construction, troubled investment is bigger than troubled construction. Troubled investment since 2005 stands at well over $300 billion, while construction lost close to $120 billion (Table 5). Along the same lines, energy sees the most impaired transactions, while the US and Australia lead among countries. With far fewer transactions documented during the pandemic, there are far fewer impaired transactions. This is another strike against MOFCOM; its report of high spending during the trying conditions of the pandemic would have led to much more trouble. The pickup in 2023 investment will lead to more troubled transactions in 2024.

According to MOFCOM, zero COVID made things better in 2020 and 2021, and zero COVID's end made them better in 2023. The CGIT, more sensibly, shows investment jumping after the pandemic and associated restrictions eased. Construction does take longer to solidify, but it has not yet shown the same rebound. There are still obstacles to a meaningful rebound in construction and to a sustained one in investment, obstacles that arise largely from China's own choices. In any case, foreign sources should be examined first with regard to the extent of authentic 2023 and 2024 activity.

American Policy Should Start with Technology

There are many considerations in US-China relations, from economic to military to political. Cutting across them is technology. Xi has imposed a more centralized system that limits competition and heavily weights government priorities, which are serious weaknesses in technology development. The PRC also has strengths, of course, but its weaknesses mean some technologies will continue to be bought, coerced, or stolen from the US and others. In response, Washington talks a big technology game while doing little.

There are three main channels through which America helps China with technology. Cooperation, including outright acquisition, in technology within the US; technology sales in exports; and investment into China embodying or supporting technology gains.

Table 5. Most Troublesome Countries, 2005–23, US Dollars (Billions)

Country	Troubled Transactions
United States	$81.0
Australia	$55.4
Iran	$25.9
Russia	$18.5*
Germany	$17.9
Nigeria	$13.3
Libya	$12.7
Great Britain	$12.2
Venezuela	$9.8
Canada	$9.0

Note: * Because the eventual stats of planned transactions cannot yet be established, Russia's total does not fully include losses ultimately stemming from its unprovoked invasion of Ukraine.
Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

The PRC's technology acquisition here appears effectively restricted by CFIUS. Chinese technology spending in the US saw only two transactions of more than $100 million from 2020 to 2023. An indirect signal of this kind of technology loss not being vital is how land acquisition, itself small in size,[34] seems to have become the top political priority.

It would be useful to more closely monitor technology cooperation in the US, but that failing is much worse with regard to capital flow the other direction, to the PRC. American direct investment in China and Hong Kong has not moved much recently, with the stock climbing gradually from $189 billion in 2018 to $216 billion in 2022.[35] There is no technology category, but computers and electronic products contributed about $7 billion of that increase. In contrast, the stock of American portfolio investment in China skyrocketed $218 billion in 2019 and $348 billion in 2020, then plunged $206 billion in 2021 and another $258 billion in 2022.[36]

There are no industrial categories for portfolio investment—not even a hint as to whether money was directed at, then withdrawn from, technology, tires, or anything else. If recent declines continue, then portfolio investment becomes unimportant in US-PRC technology competition. But there is no CFIUS equivalent for outward investment. The Biden administration executive order on outbound investment is not in effect at

the time of writing, has no set date to go into effect, and according to its notice of rulemaking, is so weak that there may be no measurable impact on flows.[37]

At home, the US would search for, review, and probably block a $1 billion technology acquisition by Chinese enterprises, but it has never done anything to find out when $1 billion or more is sent to China to support technology development there. If $50 billion in American capital poured into Chinese technology firms in 2023 while other funds were withdrawn, there may be no evidence until after the damage is done. The same is true for funds boosting surveillance or supporting firms that have broken US law.

The worst technology outcome is American money helping China develop independent capabilities, and the lack of US government action to monitor this undermines claims of any serious bilateral competition. But if investment into China stagnates or declines further, then the primary technology risks become exports and coercive acquisition of intellectual property (IP).

On technology exports, the Department of Commerce's track record is abysmal. Tighter controls passed overwhelmingly by Congress in 2018 were ignored, then set aside disingenuously in an announcement on marine toxins.[38] A nearly useless October 2022 interim rule concerning semiconductors and associated manufacturing equipment featured enormous gaps like omitting Macao. It was upgraded a year later, still in the form of "interim" rules.[39] The upgrade came with multiple exemptions for large foreign companies. And all of these are merely license requirements, with licenses approved three-quarters of the time.[40] Talk aside, the Department of Commerce has chosen sales over security.

The American record on IP makes its effort on export controls look good. Current and former government officials continue to claim trillions of dollars in losses to China over time, which only highlights policy failure. (Trump administration tariffs cited IP but were applied without regard for it.) Cumulative losses are more likely in the hundreds of billions of dollars, which still dwarfs American retaliation against recipients of illegally acquired IP, because retaliation is almost nonexistent. As with outbound portfolio investment, the US has not even tried to identify PRC entities and industries that have benefited most from coercive IP transfer. So why would coercion stop?

Washington talks about China incessantly and may show interest if the 2023 rally in China's own outward investment extends into this year. But PRC activity overseas peaked from six to seven years ago, and a one-time spike would be a minor event. Even if 2024 sees a boom, the US will do little, as it has done little about American investment, export controls, and IP.

This is because sales by majority-American-owned affiliates in the PRC approached $500 billion in 2021 alone.[41] On top of lobbying by these firms, the financial sector wants to preserve the option of sending China another three-quarters of a trillion dollars, as it did in 2017–20.[42] The 2024 election will hear more promises to do things soon that could have been done years ago. But this time they mean it.

If any US politicians ever want to move beyond China talk, they should:

- Monitor 2024 outward Chinese investment and construction to discern new priorities, such as attempting to control mineral supply or gaining greater market access to the US by re-flagging as friendly country enterprises (e.g., in Mexico);
- Publish on a quarterly basis nationality-corrected US outbound portfolio investment, treating offshore centers like the Cayman Islands as transit points, broken down by sector;
- Ban American spending in China in some of the sectors where investment into the US is already restricted, such as quantum computing and genetics;
- Authorize outright export bans, not just license applications, and apply bans to some of the sectors in which investment in the US is already restricted and those in which multiple PRC entities have broken American law;
- Place Chinese enterprises on the Specially Designated Nationals List and treat them as criminal entities when solid evidence shows they have received stolen IP; and
- Track IP loss at the corporate level to inform future sanctions.

The year 2023 brought Chinese investment everyone could actually see, not just spending MOFCOM declared to exist. The recovery was limited by the absence of the large transactions seen pre-pandemic. No American reaction is urgently needed, because the PRC's international activity is still relatively subdued and because its investment in the US in particular is minor. If 2024 sees another jump, the particulars of where, what, and why could merit a policy response. An obvious element of that response would be for the US to stop helping China by giving it technology and money.

About the Author

Derek Scissors is a senior fellow at AEI and the newly reinvigorated creator of the China Global Investment Tracker.

Notes

1. Chinese Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange, "2022 Statistical Bulletin of China's Outward Foreign Direct Investment," September 2023.

2. US Bureau of Economic Analysis, "Foreign Direct Investment in the U.S.: Balance of Payments and Direct Investment Position Data," July 20, 2023, https://www.bea.gov/international/di1fdibal; Agatha Kratz et al., "Chinese FDI in Europe: 2022 Update," Rhodium Group, May 9, 2023, https://rhg.com/research/chinese-fdi-in-europe-2022-update; KPMG and University of Sydney, *Demystifying Chinese Investment in Australia*, April 2023, https://kpmg.com/au/en/home/insights/2023/04/demystifying-chinese-investment-in-australia-april-2023.html; Global SWF, *2024 Annual Report: State-Owned Investors Powering Through Crises*, January 1, 2024, https://globalswf.com/reports/2024annual; Boston University, Global Development Policy Center, "At a Crossroads: Chinese Development Finance to Latin America and the Caribbean, 2022," March 21, 2023, https://www.bu.edu/gdp/2023/03/21/at-a-crossroads-chinese-development-finance-to-latin-america-and-the-caribbean-2022; and ASEAN Statistics Division, "Indicators," https://data.aseanstats.org.

3. American Enterprise Institute and Heritage Foundation, China Global Investment Tracker, January 2024, https://www.aei.org/china-global-investment-tracker.

4. The China Global Investment Tracker's (CGIT) regions and sectors were identified in 2009 based on transaction patterns then. Work by others using these regions and sectors is derivative and qualifies as commentary, not research.

5. Chinese Belt and Road Portal, "Guobie" [Countries], https://www.yidaiyilu.gov.cn/country.

6. US Department of the Treasury, "The Committee on Foreign Investment in the United States (CFIUS)," https://home.treasury.gov/policy-issues/international/the-committee-on-foreign-investment-in-the-united-states-cfius. The Department of Commerce has refused to properly implement export controls for the sake of protecting technology sales. See US Department of Commerce, Bureau of Industry and Security, "Commerce Control List: Controls on Certain Marine Toxins," *Federal Register* 87, no. 99 (May 23, 2022): 31195–203, https://www.federalregister.gov/documents/2022/05/23/2022-10907/commerce-control-list-controls-on-certain-marine-toxins.

7. Carol C. Bertaut, Beau Bressler, and Stephanie Curcuru, "Globalization and the Geography of Capital Flows," Federal Reserve, Board of Governors, December 15, 2023, https://www.federalreserve.gov/econres/notes/feds-notes/globalization-and-the-geography-of-capital-flows-20190906.html.

8. Jiang Xufeng, "Economic Watch: China Guards Against Overseas Investment Mania," Xinhua News Agency, March 26, 2017, http://www.xinhuanet.com//english/2017-03/26/c_136159275.htm. See also, for example, Jamie Smith, "Chinese Investors Turn Away from Australia After Canberra Crackdown," *Financial Times*, February 28, 2021, https://www.ft.com/content/f8e9a93f-72a5-49c3-832c-9a36fb6d4113.

9. John P. A. Ioannidis, Francesco Zonta, and Michael Levitt, "Estimates of COVID-19 Deaths in Mainland China After Abandoning Zero COVID Policy," US Department of Health and Human Services, National Institutes of Health, National Library of Medicine, January 13, 2023, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9810234; and Lee Liu, "Covid-19 Excess Mortality in China: A Regional Comparison," MedRxiv, June 22, 2023, https://www.medrxiv.org/content/10.1101/2023.06.15.23291443v2.

10. *China Daily*, "China's Outbound Direct Investment Rises 5.2% to $145b," February 10, 2023, https://english.www.gov.cn/archive/statistics/202302/10/content_WS63e5fdd8c6d0a757729e69d3.html.

11. US Bureau of Economic Analysis, "Foreign Direct Investment in the U.S."; and Singapore Department of Statistics, Foreign Direct Investment in Singapore Dashboard, https://www.singstat.gov.sg/find-data/search-by-theme/trade-and-investment/foreign-direct-investment/visualising-data/foreign-direct-investment-in-singapore-dashboard.

12. China Statistics Press, *China Statistical Yearbook 2022*, http://www.stats.gov.cn/sj/ndsj/2022/indexeh.htm. Compare this to

China Statistics Press, *China Statistical Yearbook 2018*, http://www.stats.gov.cn/sj/ndsj/2018/indexeh.htm.

13. Compare the CGIT's by-firm transactions to Zheng Xin, "Energy China Eyes Expansion in Overseas Markets," September 30, 2021, *China Daily*, http://global.chinadaily.com.cn/a/202109/30/WS615508aea310cdd39bc6c7dc.html.

14. Chinese Ministry of Commerce, *2020 Statistical Bulletin on China International Project Contracting*, http://images.mofcom.gov.cn/hzs/202110/20211013103551781.pdf.

15. Xinyue Ma, Cecilia Han Springer, and Honest Shao, "Outlier or New Normal? Trends in China's Global Energy Finance," Boston University, Global Development Policy Center, March 2022, https://www.bu.edu/gdp/files/2022/03/GCI_PB_011_FIN.pdf.

16. National Bureau of Statistics of China, "Statistical Communiqué of the People's Republic of China on the 2022 National Economic and Social Development," February 28, 2023, Section VII, http://www.stats.gov.cn/english/PressRelease/202302/t20230227_1918979.html. Compare this to National Bureau of Statistics of China, "Statistical Communiqué of the People's Republic of China on the 2021 National Economic and Social Development," February 28, 2022, Section VII, http://www.stats.gov.cn/english/PressRelease/202202/t20220227_1827963.html.

17. National Bureau of Statistics of China, "Statistical Communiqué of the People's Republic of China on the 2020 National Economic and Social Development," February 28, 2021, Section VII, http://www.stats.gov.cn/english/PressRelease/202102/t20210228_1814177.html.

18. Caixin, "Chinese Belt and Road Loans Total $687 Billion over a Decade," October 18, 2023, https://www.caixinglobal.com/2023-10-18/chinese-belt-and-road-loans-total-687-billion-over-a-decade-102117703.html.

19. Xinhua News Agency, "Belt and Road Celebrates Decade of Achievements with Fresh Commitments," October 20, 2023, http://english.scio.gov.cn/m/beltandroad/2023-10/20/content_116762365.htm#:~:text=Over%203%2C000%20BRI%20cooperation%20projects,linked%20hub%20in%20Southeast%20Asia.

20. Xinhua News Agency, "China's Non-Financial ODI up 18.4 Pct in First 11 Months," December 21, 2023, https://english.www.gov.cn/archive/statistics/202312/21/content_WS65842197c6d0868f4e8e26a2.html.

21. Ammar A. Malik et al., *Banking on the Belt and Road: Insights from a New Global Dataset of 13,427 Chinese Development Projects*, AidData, September 29, 2021, https://www.aiddata.org/publications/banking-on-the-belt-and-road.

22. Anna Cooban and Chris Stern, "Germany Blocks Sale of Chip Factory to China over Security Fears," CNN, November 10, 2022, https://www.cnn.com/2022/11/09/tech/germany-blocks-chip-factory-sale-china/index.html; and Ryan Browne, "Chinese Takeover of the UK's Biggest Chip Plant Blocked on National Security Grounds," CNBC, November 16, 2022, https://www.cnbc.com/2022/11/16/chinese-takeover-of-biggest-uk-chip-plant-blocked-by-government.html.

23. Swift, "RMB Tracker," https://www.swift.com/our-solutions/compliance-and-shared-services/business-intelligence/renminbi/rmb-tracker/rmb-tracker-document-centre.

24. International Monetary Fund, Currency Composition of Official Foreign Exchange Reserves (COFER), December 22, 2023, https://data.imf.org/?sk=e6a5f467-c14b-4aa8-9f6d-5a09ec4e62a4.

25. Zhou Lanxu, "China's Foreign Exchange Reserves Reach Two-Year High," January 8, 2024, https://global.chinadaily.com.cn/a/202401/08/WS659b6c32a3105f21a507b15d.html; and Brad W. Setser, "How to Hide Your Foreign Exchange Reserves—a User's Guide," Council on Foreign Relations, June 29, 2023, https://www.cfr.org/blog/how-hide-your-foreign-exchange-reserves-users-guide.

26. See CGIT's troubled transactions category. Also see, for example, Keith Bradsher, "China Is Lending Billions to Countries in Financial Trouble," *New York Times*, November 6, 2023, https://www.nytimes.com/2023/11/06/business/china-bri-aiddata.html.

27. Bloomberg, "Chinese Yuan Pressured by Biggest Capital Exodus Since 2016," October 22, 2023, https://www.bloomberg.com/news/articles/2023-10-23/chinese-yuan-pressured-by-biggest-capital-exodus-since-2016?sref=bWSPFsy2.

28. Reuters, "Investment into China Declined During 2012," January 16, 2013, https://www.nytimes.com/2013/01/17/business/global/investment-into-china-declined-during-2012.html; and Bloomberg, "As Old China Slows, New China Still Closed to Foreign Firms," September 16, 2015, https://www.bloomberg.com/news/articles/2015-09-16/as-old-china-slows-new-china-still-closed-to-foreign-companies?sref=bWSPFsy2.

29. David Dollar, *China as a Global Investor*, Brookings Institution, May 18, 2016, https://www.brookings.edu/articles/china-as-a-global-investor; and Lily McElwee, "The Rise and Demise of the EU-China Investment Agreement: Takeaways for the Future of German Debate on China," Center for Strategic and International Studies, March 20, 2023, https://www.csis.org/analysis/rise-and-demise-eu-china-investment-agreement-takeaways-future-german-debate-china.

30. Made in China 2025 is the obvious illustration. See also Junguo Shi et al., "Picking Winners in Strategic Emerging Industries Using Government Subsidies in China: The Role of Market Power," *Humanities and Social Sciences Communications* 10 (July 2023), https://www.nature.com/articles/s41599-023-01910-9.

31. Neil Thomas, "Xi Signals More Growth but Same Strategy at China's Central Economic Work Conference," Asia Society, December 14, 2023, https://asiasociety.org/policy-institute/xi-signals-more-growth-same-strategy-chinas-central-economic-work-conference.

32. China's Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange, "2022 Statistical Bulletin of China's Outward Foreign Direct Investment," September 2023.

33. For example, Jason C. Chipman et al., "US Government Reviews Record Foreign Investments for National Security Risk," WilmerHale, August 4, 2023, https://www.wilmerhale.com/insights/client-alerts/20230804-us-government-reviews-record-foreign-investments-for-national-security-risk; and Stefanno Sulaiman, "Indonesia's Delayed China-Funded Rail Project Beset by Fresh Problems," Reuters, June 8, 2023, https://www.reuters.com/world/asia-pacific/indonesias-delayed-china-funded-rail-project-beset-by-fresh-problems-2023-06-07.

34. Ximena Bustillo and Connie Hanzhang Jin, "China Owns 380,000 Acres of land in the U.S. Here's Where," NPR, June 26, 2023, https://www.npr.org/2023/06/26/1184053690/chinese-owned-farmland-united-states.

35. US Bureau of Economic Analysis, "U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data," July 20, 2023, https://www.bea.gov/international/di1usdbal.

36. US Department of the Treasury, "Securities (C): Annual Cross-U.S. Border Portfolio Holdings," https://home.treasury.gov/data/treasury-international-capital-tic-system-home-page/tic-forms-instructions/securities-c-annual-cross-us-border-portfolio-holdings.

37. US Department of the Treasury, Office of Investment Security, "Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern," https://home.treasury.gov/system/files/206/Treasury-ANPRM.pdf. For a summary, see Derek Scissors, "Outbound Investment Executive Order: Waste of Time," AEIdeas, August 10, 2023, https://www.aei.org/foreign-and-defense-policy/outbound-investment-executive-order-waste-of-time.

38. See US Department of Commerce, Bureau of Industry and Security, "Commerce Control List: Controls on Certain Marine Toxins."

39. US Department of Commerce, Bureau of Industry and Security, "Export Controls on Semiconductor Manufacturing Items; Implementation of Additional Export Controls: Certain Advanced Computing Items; Supercomputer and Semiconductor End Use; Updates and Corrections; Extension of Comment Period," *Federal Register* 88, no. 240 (December 15, 2023): 86821–22, https://www.federalregister.gov/documents/2023/12/15/2023-27588/export-controls-on-semiconductor-manufacturing-items-implementation-of-additional-export-controls#:~:text=On%20October%2017%2C%202023%2C%20BIS,and%20Corrections%E2%80%9D%20(AC%2FS.

40. Anton Shilov, "U.S. to Let Samsung, SK Hynix, TSMC Expand Fabs in China: Report," Tom's Hardware, June 12, 2023, https://www.tomshardware.com/news/us-to-let-samsung-sk-hynix-and-tsmc-to-expand-fabs-in-china; and Thea D. Rozman Kendler, "The Biden Administration's PRC Strategy," testimony before the House Select Committee on the Chinese Communist Party, July 20, 2023, https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/scc-hearing-testimony-as-kendler.pdf.

41. US Bureau of Economic Analysis, International Data: Direct Investment and MNE, https://apps.bea.gov/iTable/?reqid=2&step=1&isuri=1.

42. Tripp Mickle, David McCabe, and Ana Swanson, "How the Big Chip Makers Are Pushing Back on Biden's China Agenda," *New York Times*, October 5, 2023, https://www.nytimes.com/2023/10/05/technology/chip-makers-china-lobbying.html; and Patrick McHenry et al., letter to Mike Rogers, Adam Smith, Jack Reed, and Roger Wicker, November 29, 2023, https://financialservices.house.gov/uploadedfiles/2023-11-29_fsc_chairs_letter_to_hasc_and_sasc_-_section_1085.pdf.

© 2024 by the American Enterprise Institute for Public Policy Research. All rights reserved.

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed here are those of the author(s).