



Monitor of Chinese OFDI in Latin America and the Caribbean 2019¹

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The contributions of this document focus on the recent outflows of foreign direct investment (or OFDI) from the People's Republic of China in Latin America and the Caribbean (LAC) for the 2000-2018 period, as a follow-up of multiple efforts made by the Latin American and Caribbean Academic Network on China (Red ALC-China). In this third version of the *Monitor of Chinese OFDI in Latin America and the Caribbean*, and after the efforts presented in 2018 and 2017, the Monitor for 2019 presents a new methodological and statistical analysis and invites to review the updated information — bibliography, documents, statistical information and multiple analyses — in order to improve and deepen the analysis on the Chinese OFDI in LAC and, in general, the knowledge on China and the relationship of LAC with China.² One of the main contributions of the Monitor and of this publication is the presentation of statistical information at the transaction level (aggregated and disaggregated) for 2000-2018 and — unlike other national and regional institutions — with results significantly different from the existing ones, as will be seen below.

The document is divided into six brief sections, in addition to this Introduction. The first section examines the overall context of Chinese OFDI in LAC, while the second focuses on methodological differences and aggregate results obtained in this publication vis-à-vis the results of other institutions specialized on the subject. The following sections present the annual results and by destination country, type of transaction, sector and main Chinese companies; all this information for the 2000-2018 period.

¹ This document may be cited as follows: Dussel Peters, Enrique. 2019. *Monitor of Chinese OFDI in Latin America and the Caribbean 2018*. Mexico: Red ALC-China.

² The information — the data bank, specialized bibliography and news, all of these for each of the LAC countries — is available at: <http://www.redalc-china.org/monitor/>



1. Context of Chinese OFDI in Latin America and the Caribbean (2000-2018)

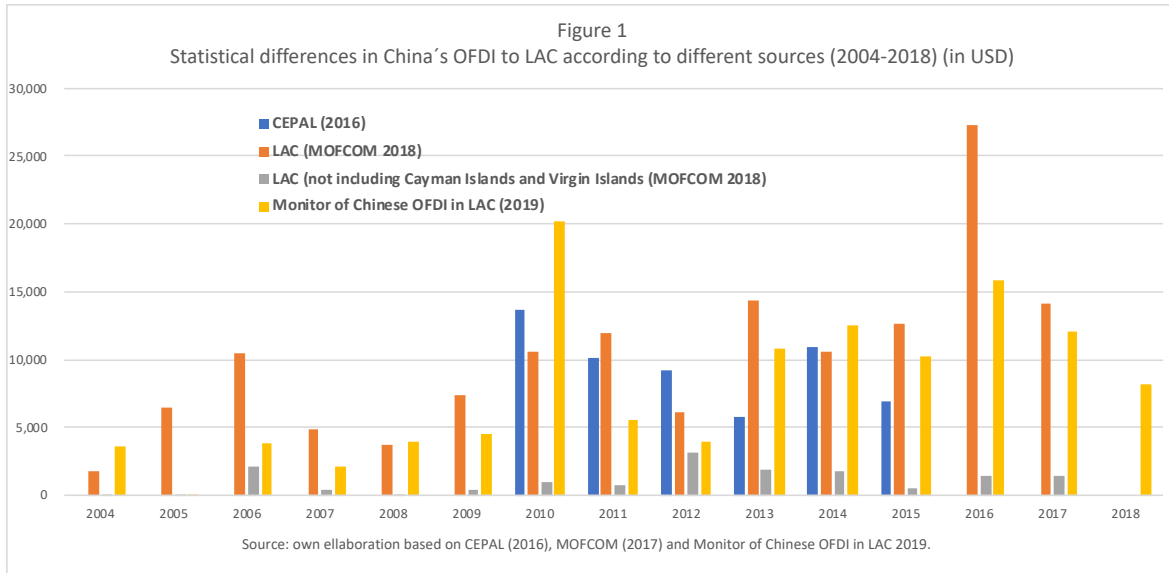
As a result of the weakening of global economic growth in recent years and the expected dynamics for 2019 and 2020 — 3.5 percent and 3.6 percent, respectively (IMF 2019)³, international flows of foreign direct investment have also been affected. UNCTAD's latest analysis (2018, 2019) show that in 2018 FDI flows fell for the third consecutive year to reach around 1.2 trillion USD, both due to risk aversion by international investors, low levels of profitability on FDI itself, fiscal incentives for investors in the United States, as well as widespread international macroeconomic uncertainty (UNCTAD 2019). As a result, by 2018, FDI from developing countries could again exceed that received by developed countries (as was briefly the case in 2014). In other words, while the drop in global FDI by almost 20 per cent was basically the result of a collapse in FDI in developed countries, it occurred both in merger and acquisition (M&A) projects and in new investments (greenfield). Global FDI in 2018 is currently at levels similar to 2006 pre-international financial crisis (UNCTAD 2019).

Estimates of FDI for LAC are slightly negative (with a drop close to 4 per cent from 155 billion USD to 149 billion USD by 2017 and 2018, respectively; China is one of the few international exceptions in 2018, with FDI of 142 billion USD and an increase of 3 per cent (UNCTAD 2019). Other sources (ECLAC 2019) show that in the first half of 2018, FDI to LAC had increased by 7 per cent, although without considering the significant contractions of the second half of 2018, yet.

The most recent analysis of FDI for LAC (ECLAC 2018/a) — with information up to 2017 — reiterates the downward trend in the reception of FDI in the region since 2014, both due to the drop in international prices of raw materials and the economic recession of 2015 and 2016, particularly in Brazil. From a longer-term perspective, FDI in LAC has been increasingly concentrated in manufacturing and services, beyond FDI in raw materials and extractive sectors; it is also important to highlight the drop in the average profitability of FDI in LAC: from levels close to 9 per cent in 2008 and 2011, to less than 5 per cent in 2017 (ECLAC 2018/a:34-35).

It is important to stress the relevance of different methodological approaches for measuring and recording OFDI, as has been highlighted by various efforts of the *Monitor of Chinese OFDI in Latin America and the Caribbean*, in recent years (Ortíz Velásquez 2016/a/b). Thus, statistical records diverge significantly (see Figure 1) and have implications for academic, business and public policy analysis.

³ The reasons for this are particularly the decline in GDP growth in Europe and China. In the case of China, trade tensions with the United States and internal causes may lead to an estimated GDP growth of 6.2 percent for 2019 and 2020, respectively (IMF 2019). Although the update of the estimate of global growth and for China is not significant with respect to previous estimates (IMF 2018), the analysis highlights the impact on capital flows from emerging countries, with net capital outflows in the third quarter of 2018 (IMF 2018:3).



Although the differences for the comparable period between the three sources — ECLAC, MOFCOM and the very *Monitor of Chinese OFDI in Latin America and the Caribbean* — appear to be smaller for the entire 2010-2015 period — with 56,732 USD, 66,161 USD, and 63,197 USD, they are truly important (see Graph 1). On the one hand, MOFCOM information includes two financial centers representing 86.34 per cent of FDI to LAC for the period, i.e. excluding the Virgin Islands and Cayman Islands during the 2010-2015 period Chinese OFDI is reduced to 9,034 USD (or 13.65 per cent of the information recorded by the *Monitor* in 2019 for the 2010-2015 period). Similarly, although the difference between the information from ECLAC and the *Monitor* seems to be barely 6.5 billion USD, actually, almost every year the differences are greater than 50 percent: in 2012, for example, ECLAC reports 9.206 billion USD and the *Monitor* 2019 barely 3.998 USD.⁴

Therefore, the *Monitor's* methodology presented here — and based on the transactions actually carried out (and not unannounced) and as a result of the review of each transaction — is a valuable contribution, as will be seen below.

⁴ These record differences are further exacerbated by country. In the case of Mexico, for example, the Mexican authorities still differentiate between the Chinese and Hong Kong OFDI flows; the differences between the Mexican and Chinese authorities' records in 2006 and 2015 are notable, i.e., Chinese authorities (MOFCOM) register a negative OFDI (Dussel Peters 2019).



Two additional general aspects of Chinese OFDI are relevant. First, Chinese OFDI in 2018 recovered slightly in 2018 to reach 129.830 million USD and a growth rate of 4.2% over 2017.⁵ With this, China managed to overcome the drastic fall of Chinese OFDI in 2017 — of -36.5% and the first in more than a decade (see Monitor 2018) — but is still far from the maximum levels reached in 2016 and 2010;⁶ if during 2015 and 2016 the Chinese OFDI had for the first time surpassed its FDI, in 2018 the OFDI / FDI ratio was 96.17 per cent. Second, total Chinese OFDI employs around 4.92 million Chinese abroad and contracted by -3.0 percent in 2018 (MOFCOM 2019/a).

2. Main Trends of Chinese OFDI in LAC (2000-2018)

During the 2000-2018 period, Chinese companies carried out 402 transactions in LAC countries, representing 8.203 billion USD in 2018 and with a growth rate of -31.8 percent with respect to 2017; that is, in 2018, Chinese OFDI represented 51.66 percent of 2016 (see Table 1). The fall in employment generated by Chinese OFDI in 2018 was even more pronounced, at -66.3 percent.⁷ As a result of these trends since 2017 and again in 2018, the amount per transaction decreased to 178 million USD. If the 2018 Monitor showed three phases of Chinese OFDI in LAC, from 2017 onwards a fourth phase with a dynamism significantly lower than that of 2010-2016 can be seen: in the short and medium term a relative stagnation is expected at relatively low levels of OFDI and particularly compared with the dynamism of the previous phase (see Table 1).

By type of investment Table 1 also reflects:

- In 2018, mergers and acquisitions have consolidated themselves as the main type of Chinese OFDI, accounting for 74.76 per cent and 67.98 per cent of the amount and employment generated by Chinese OFDI, respectively.
- As a result, Chinese OFDI mergers and acquisitions in LAC have become the most relevant, accounting for 62.35 percent of the OFDI amount and 60.66 percent of employment during 2000-2018, respectively.

⁵ The official Chinese source itself (the Ministry of Commerce, MOFCOM) presents two growth rates on Chinese OFDI in 2018: one of -1.6 percent and measured in RMB and the other of 4.2 percent and measured in USD (MOFCOM 2019/a/b).

⁶ However, in specific markets such as the US, Chinese OFDI fell between 60 and 80 percent, particularly in the last quarter of 2018 (Miller 2019).

⁷ For an analysis of the quantity and quality of employment generated by China in LAC and with four national studies and respective case studies, see: Salazar-Xirinachs et. al (2018).

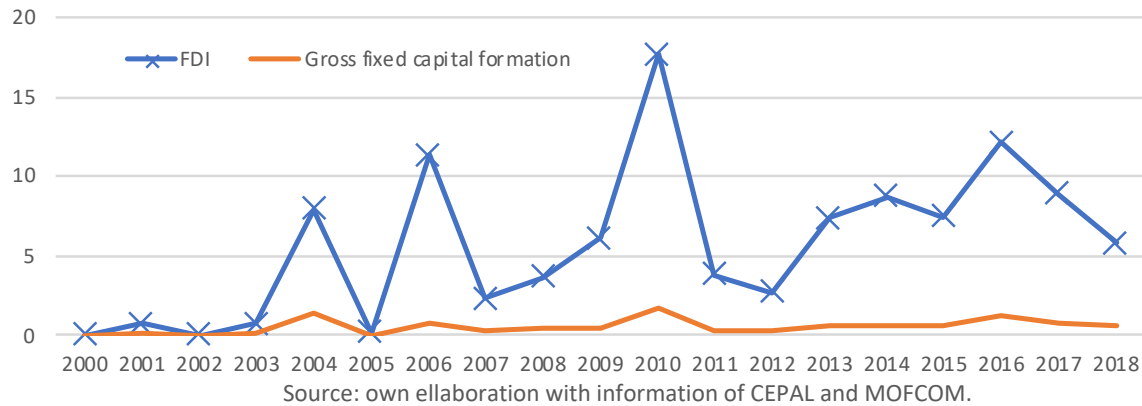
Table 1
LAC: Chinese OFDI and Employment (2000-2018)

	Transactions (number)	Amount (million USD)	Employment (number of workers)	Amount / transaction (million USD)	Amount / workers (million USD)	Employment / transaction (number of workers)
Total Chinese OFDI						
2000-2005	16	4,444	13,905	277.73	0.32	869
2006-2009	58	15,825	33,023	272.85	0.48	569
2010-2018	238	101,429	277,168	426.17	0.37	1,165
2000-2018	402	121,698	324,096	302.73	0.38	806
2015	35	10,182	29,554	290.91	0.34	844
2016	38	15,879	48,523	417.87	0.33	1,277
2017	59	12,018	71,984	203.70	0.17	1,220
2018	46	8,203	24,240	178.32	0.34	527
Mergers and acquisitions						
2000-2005	3	570	5,950	190.00	0.10	1,983
2006-2009	22	4,466	16,750	203.00	0.27	761
2010-2018	120	70,841	173,893	590.34	0.41	1,449
2000-2018	145	75,877	196,593	523.29	0.39	1,356
2015	7	7,381	17,670	1054.44	0.42	2,524
2016	17	14,323	39,258	842.53	0.36	2,309
2017	27	8,682	54,839	321.55	0.16	2,031
2018	23	6,132	16,478	266.61	0.37	716
New investments						
2000-2005	13	3,874	7,955	297.97	0.49	612
2006-2009	36	11,360	16,273	315.54	0.70	452
2010-2018	208	30,588	101,275	147.06	0.30	487
2000-2018	257	45,821	125,503	178.29	0.37	488
2015	28	2,801	11,884	100.03	0.24	424
2016	21	1,556	9,265	74.09	0.17	441
2017	32	3,336	17,145	104.26	0.19	536
2018	22	2,031	7,562	92.31	0.27	344

Source: own elaboration based on Monitor of Chinese OFDI in LAC 2019.

As a result of previous trends, the share of Chinese OFDI in total FDI in LAC, as well as its gross fixed capital formation, declined in 2018 and fell to its lowest level since 2012, at 6.28 per cent and 0.63 per cent, respectively (see Figure 2).

Figure 2
LAC: Chinese OFDI in Relationship to Total FDI and GFCF
(2000-2018) (percentage)



3. Chinese OFDI by Destination Country (2000-2018)

Chinese OFDI continues to diversify recently in LAC: the countries with the largest share of Chinese OFDI in LAC — Brazil and Argentina — saw their reception decline, while Peru and particularly Chile became by far the most important countries in this regard, receiving 63.03 percent and 16.31 percent of Chinese OFDI in LAC in 2018, respectively. Beyond the collapse of Chinese OFDI in Brazil and Argentina, the decline of Chinese OFDI in Mexico in 2018 and over the previous year is also notable (see Table 2).

Table 2
LAC: Chinese OFDI by Main Countries (2000-2018)

	2000-2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2000-2018
Argentina															
Number of Transactions	0	0	1	0	0	3	1	0	5	3	0	3	5	6	27
Amount (million USD)	0	0	4	0	0	5,597	330	0	3,919	523	0	215	1,413	513	12,512
Employment	0	0	200	0	0	2,601	1,600	0	1,785	480	0	670	4,824	3,451	15,611
Brazil															
Number of Transactions	6	2	4	1	2	10	12	3	6	13	19	16	17	11	122
Amount (million USD)	3,565	30	152	60	425	12,867	2,919	3,232	902	1,747	5,319	13,903	3,017	421	48,557
Employment	6,303	2,111	4,174	61	61	15,208	15,748	1,200	2,551	7,128	13,950	37,163	34,220	5,756	145,634
Chile															
Number of Transactions	0	0	0	2	2	1	1	3	3	2	1	3	4	6	28
Amount (million USD)	0	0	0	39	2,450	18	11	227	45	36	286	215	2,764	5,170	11,261
Employment	0	0	0	78	250	0	55	64	81	43	175	4,284	5,691	6,515	17,236
México															
Number of Transactions	4	2	3	4	1	4	6	1	1	10	9	4	23	9	81
Amount (million USD)	563	45	109	331	40	84	39	70	8	1,140	1,001	81	2,733	398	6,643
Employment	6,354	103	1,409	3,654	1,000	478	1,106	144	3	2,470	4,915	1,455	18,099	2,628	43,818
Perú															
Number of Transactions	0	0	0	2	2	1	1	3	3	2	1	3	4	6	28
Amount (million USD)	0	0	0	39	2,450	18	11	227	45	36	286	215	2,764	5,170	11,261
Employment	0	0	0	78	250	0	55	64	81	43	175	4,284	5,691	6,515	17,236

Source: own elaboration based on Monitor of Chinese OFDI in LAC 2019.

4. Chinese OFDI by Destination of Economic Activity (2000-2018)

During 2000-2018, Chinese OFDI amounts have been concentrated in three destination activities: raw materials (60.02 per cent); manufacturing (8.62 per cent); and services and domestic market (30.76 per cent) (see Table 3):

Table 3
LAC: Chinese OFDI by Sector (2000-2018)

	2000-2005	2006-2009	2010-2018	2000-2018	2015	2016	2017	2018
Raw materials								
Transactions	7	39	78	124	4	9	8	12
Amount (million USD)	3,795	15,097	54,152	73,045	6,953	4,505	2,807	6,467
Employment	7,048	23,815	99,757	130,620	4,498	13,111	13,081	6,423
Amount / Transaction (million USD)	542.20	387.11	694.26	589.07	1,738.18	500.51	350.85	538.88
Amount / Employment (million USD)	0.54	0.63	0.54	0.56	1.55	0.34	0.21	1.01
Employment / Transaction	1,006.86	610.64	1,278.94	1,053.39	1,124.50	1,456.78	1,635.13	535.25
Manufacturing								
Transactions	4	11	121	136	17	14	29	9
Amount (million USD)	118	540	9,831	10,489	2,012	484	4,497	454
Employment	954	6,576	73,860	81,390	22,000	7,007	20,144	4,486
Amount / Transaction (million USD)	29.55	49.08	81.25	77.12	118.36	34.56	155.08	50.42
Amount / Employment (million USD)	0.12	0.08	0.13	0.13	0.09	0.07	0.22	0.10
Employment / Transaction	238.50	597.82	610.41	598.46	1,294.12	500.50	694.62	498.44
Services and Domestic Market								
Transactions	5	8	120	133	11	15	20	20
Amount (million USD)	530	188	36,726	37,444	1,146	10,890	4,460	788
Employment	5,903	2,632	96,671	105,206	2,306	28,405	37,084	7,876
Amount / Transaction (million USD)	106.00	23.50	306.05	281.53	104.15	726.03	223.00	39.41
Amount / Employment (million USD)	0.09	0.07	0.38	0.36	0.50	0.38	0.12	0.10
Employment / Transaction	1,180.60	329.00	805.59	791.02	209.64	1,893.67	1,854.20	393.80
Purchase of Technology								
Transactions	0	0	9	9	3	0	2	4
Amount (million USD)	0	0	720	720	71	0	254	395
Employment	0	0	4,880	4,880	750	0	1,675	2,455
Amount / Transaction (million USD)	0	0	542	542	250	0	838	614
Amount / Employment (million USD)	0.00	0.00	0.15	0.15	0.10	0.00	0.15	0.16
Employment / Transaction	0.00	0.00	542.22	542.22	250.00	0.00	837.50	613.75

Source: own elaboration based on Monitor of Chinese OFDI in LAC 2019.

- The diversification of Chinese OFDI in LAC has probably been one of the most significant aspects in the last five years: if during 2000-2010 the share of raw materials in OFDI and in the employment generated was by far the most significant, since then its presence has varied: by 2018 it accounted for only 53.39 percent of the amount of Chinese OFDI in LAC and 35.99 percent of employment by 2018, respectively.
- In recent years, Chinese OFDI has focused on manufacturing and particularly on services, the latter accounting for 36.21 percent and 34.88 percent of the amount of OFDI and employment during 2010-2018, respectively.
- The purchase of technology in LAC by the Chinese OFDI has been a secondary factor: for the entire period 2000-2018, four cases worth 395 million USD were recorded, generating almost 2,500 jobs throughout the region.

5. Chinese OFDI in LAC by Type of Company Ownership (2000-2018)

One of the most striking cases of Chinese OFDI is the very high public sector participation: during 2000-2018 participation in the amount of OFDI and employment generated in LAC was 70.2 percent and 49.1 percent, respectively (see Table 4). The previous trend, however, is changing rapidly: in 2018, for example, participation in Chinese OFDI was only 6.3 percent.

Table 4 also reflects some of the most relevant features of OFDI: public sector transactions are much more capital-intensive with respect to employment and employment per transaction: for 2000-2018, for example, the ratio of amount per transaction was 538 million USD and only 149 million USD for private enterprises.

	2000-2005	2006-2009	2010-2018	2000-2018	2015	2016	2017	2018
TOTAL								
Transactions	16	58	328	402	35	38	59	44
Amount (\$US millions)	4,444	15,825	101,429	121,698	10,182	15,879	12,018	8,103
Employment	13,905	33,023	275,168	322,096	29,554	48,523	71,984	21,240
Amount / Transaction (\$US millions)	277.73	272.85	309.23	302.73	290.91	417.87	203.70	184.16
Amount / Employment (\$US millions)	0.32	0.48	0.37	0.38	0.34	0.33	0.17	0.38
Employment / Transaction	869.06	569.36	838.93	801.23	844.40	1276.92	1220.07	482.73
Public Firms								
Transactions	8	30	121	159	9	19	14	10
Amount (\$US millions)	3,869	11,190	70,401	85,460	4,974	13,378	6,892	507
Employment	7,839	16,418	133,751	158,008	7,239	35,832	25,851	2,862
Amount / Transaction (\$US millions)	483.58	373.00	581.83	537.48	552.68	704.12	492.32	50.70
Amount / Employment (\$US millions)	0.49	0.68	0.53	0.54	0.69	0.37	0.27	0.18
Employment / Transaction	979.88	547.27	1105.38	993.76	804.33	1885.89	1846.50	286.20
Private Firms								
Transactions	8	28	207	243	26	19	45	35
Amount (\$US millions)	575	4,635	31,027	36,238	5,208	2,501	5,126	7,596
Employment	6,066	16,605	141,417	164,088	22,315	12,691	46,133	18,378
Amount / Transaction (\$US millions)	71.88	165.55	149.89	149.13	200.30	131.61	113.91	217.03
Amount / Employment (\$US millions)	0.09	0.28	0.22	0.22	0.23	0.20	0.11	0.41
Employment / Transaction	758.25	593.04	683.17	675.26	858.27	667.95	1025.18	525.09
	PERCENTAGE (TOTAL = 100)							
Public Firms								
Transactions	50.00	51.72	36.89	39.55	25.71	50.00	23.73	22.73
Amount (\$US millions)	87.06	70.71	69.41	70.22	48.85	84.25	57.35	6.26
Employment	56.38	49.72	48.61	49.06	24.49	73.85	35.91	13.47
Amount / Transaction (compared to private firms, percentage)	174.12	136.71	188.15	177.55	189.98	168.50	241.69	27.53
Amount / employment (compared to private firms, percentage)	154.43	142.23	142.80	143.15	199.45	114.09	159.69	46.43
Employment / transaction (compared to private firms, percentage)	112.75	96.12	131.76	124.03	95.26	147.69	151.34	59.29

Source: own elaboration based on Monitor of Chinese OFDI in LAC 2019.

6. Top Chinese Companies with OFDI in LAC from 2000 to 2018

Finally, the methodology used to register OFDI at the transaction level allows for an analysis of the main Chinese companies that carry out OFDI and employment in LAC. Overall, Table 5 reflects a relatively high concentration of employment generated by Chinese OFDI in LAC: during 2000-2018, for example, of the 402 transactions recorded, only those of the top 5 companies generated 25.81 percent of the employment of all Chinese OFDI in LAC; in 2018 the top five employment-generating companies accounted



for 61.54 percent of the employment generated by Chinese OFDI in 2018; their share was equally high in the OFDI item due to the importance of the Tianqi Lithium Corp transaction in Chile.

Table 5
LAC: Main Chinese Firms that Generated Employment Through OFDI (2000-2018)
(by main employment generating firms in 2018)

Company	2018	Employment percentage	OFDI	percentage
China National Petroleum Corporation	23,114	7.18	4,661	3.83
State Grid	19,829	6.16	11,993	3.72
China Merchants Port Holding (CMPorts)	16,000	4.97	925	0.29
HNA Group Co.	13,187	4.09	1,519	0.47
China Communications Construction Company	11,000	3.42	173	0.05
TOTAL	322,096		121,698	
Company	2017			
China Merchants Port Holding (CMPorts)	16,000	22.23	925	7.70
China Communications Construction Company	5,000	6.95	69	0.57
JAC Motors	4,400	6.11	1,000	8.32
Advent International Corporation	4,350	6.04	209	1.74
Yantai Changyu Pioneer Wine	4,000	5.56	60	0.50
TOTAL	71,984		12,018	
Company	2018			
Tianqi Lithium Corp	4,902	23.08	4,066	50.18
Ant Small & Micro Financial Services Group Co., Ltd.	3,000	14.12	100	1.23
Hilton Worldwide Holding	2,800	13.18	120	1.48
Yanfeng Global Automotive	1,200	5.65	50	0.62
Jiansu Yangje Brewery Joint Stock	1,170	5.51	65	0.80
TOTAL	21,240		8,103	

Source: own elaboration based on Monitor of Chinese OFDI in LAC 2019.

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Exhibit. Methodology for Preparing the Data Bank.

The integration of the Monitor’s database of Chinese OFDI in LAC 2019 was carried out in two stages. In the first, a team of six analysts developed a data bank of more than 1,000



Chinese transactions in LAC at a company level for the period between 2000 to 2017, using the sources mentioned below.

The primary sources of information were Orbis Crossborder Investment de Bureau van Dijk (from Moody's Analytics Company), fDi Markets, Thomson-Reuters, Bloomberg, Capital IQ, China Global Investment Tracker (CGIT) and investment announcements reported in the trade press. Out of these hundreds of transactions, and after a careful assessment of each transaction, the data base was integrated. The team tracked news in specialized media, company reports, reports from various public and private institutions in LAC, investment announcements, among others, based on various search criteria:

- i. Transaction status: Completed, canceled or in process.
- ii. Investment amount in millions of USD.
- iii. Type of investment: New investments and mergers and acquisitions. New investments imply a new capital inflow that amplifies the installed capacity and generates new employment. They can be either new (greenfield) or expansions. Cross-border transactions, such as mergers and acquisitions, imply only a change in owners of a previously existing company, which, at least in the short term, does not strictly imply expansion of installed capacity and new employment.
- iv. Generation of employment: In the case of new investments, the data corresponds to the information reported on the companies' web sites or to the announcement that was made at the time. In the case of mergers and acquisitions, the data refers in general terms to the amount of employment with which the acquired firm operated at the time of the transaction. It is important to emphasize that the database shows employment, without differentiating between permanent and eventual positions.
- v. Ownership of the investment company: Public or private.
- vi. Destination economic activity: In generic terms the various activities of destination were grouped into four types of activity: Raw Materials; Manufactures; Services and Domestic Market; Technology Purchase.

For the assessment of the transactions from each data bank, as well as from specialized media, an authentication of the FDI's data was performed, as well as of the amount, employment and location of the project, through information obtained from the buyer or seller company, from public sources, such as the Chancellery and/or Ministry or Secretariat responsible for FDI, as well as specialized business or academic organizations. If none of these sources permitted the authentication of the information, secondary sources, such as unions, mass media or related means, were then consulted.

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All interested parties are invited to improve the quantity and quality of this information by contacting: FDICHINA@UNAM.MX / <http://www.redalc-china.org/monitor/>