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China's investment in the Asia Pacific: 2023 report

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About this publication

This brief is produced by the Griffith Asia Institute (GAI) at Griffith University, Brisbane, Australia. The brief aims to provide a vehicle for publishing preliminary results on topics related to Chinese engagement in Asia and Pacific to encourage discussion and debate. The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed in any manner to Griffith University, its affiliated organisations, or to members of its Board of Executive Directors.

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Acronyms and abbreviations

AEI	American Enterprise Institute
AIIB	Asian Infrastructure Investment Bank
Antam	PT Aneka Tambang Tbk
Baowu	China Baowu Steel
BRI	China Belt Road Initiative
CATL	Contemporary Amperex Technology
CCCC	China Communications Construction Company
CHEC	China Harbour Engineering Company
CHP-2	Combined Heat and Power Plant 2
CNEC	China National Chemical Engineering Corporation
CPEC	China Pakistan Economic Corridor
EBRD	European Bank for Reconstruction and Development
FDI	Foreign direct investments
FHEA	Fellow of Higher Education Academy
FISF	Fanhai International School of Finance
GAI	Griffith Asia Institute
GCGIT	China Global Investment Tracker
Power China	Power Construction Corp
Sinopec	China Petroleum and Chemical
SMU	Singapore Management University
TISCO	Taiyuan Iron & Steel Group
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
Xinhai	Shandong Xinhai Technology

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Key findings

- China's Asia-Pacific engagement through construction and non-financial investments has picked up in 2023 with about 94 deals worth USD 37 billion compared to about USD 29 billion in 2022;
- As a consequence, cumulative engagement in Asia and Pacific over the past ten years reached USD 530 billion in 2023, with about USD 245 billion in construction contracts, and USD 285 billion in non-financial investments;
- China's energy related engagement in 2023 were the greenest in absolute terms in any period since 2013 reaching USD 3.1 billion. However, significant fossil fuel engagement outstripped China's green energy engagement in the region in 2023;
- In 2023, the technology (+305 per cent) and metals and mining (+149 per cent) sectors were the biggest winners, where metals and mining are particularly relevant to the green transition (e.g., lithium) and batteries for electric vehicles;
- Engagement related to batteries alone reached about USD 3.7 billion;
- Within Asia, particularly Southeast Asia is the most important partner for China as the largest recipient of Chinese engagement, with strong growth in Central Asia;
- 6 countries saw a 100 per cent drop in engagement, including Philippines, Mongolia, Myanmar, Papua New Guinea, Tajikistan and Turkey; Sri Lanka saw one or more deals in 2023, after no engagements in 2022; Afghanistan saw one deals in 2023 after a lapse of ten years;
- Asia-Pacific investments in 2023 are dominated by private sector enterprises, including Huayao Cobalt and Alibaba, while construction contracts were dominated by state-owned enterprises (SOEs);
- Chinese overseas engagement in the region grew contrasts to global trends, where FDI into Asian emerging economies in 2023 dropped significantly;
- For 2024, we see further growth of Chinese Asia-Pacific engagement with a strong focus on partnerships in renewable energy, mining and related technologies;
- Future Chinese engagements in Asia Pacific can be expected in six project types: manufacturing in new technologies (e.g., batteries), renewable energy production, trade-enabling infrastructure (including ports, and rail), resource-backed deals (e.g., mining), social sector (e.g., housing), and high visibility or strategic projects (e.g., bridges, road, ports).

China's finance and investments in Asia and Pacific

China's cumulative engagement in Asia and Pacific over the past ten years reached USD 530 billion in 2023, about USD 245 billion in construction contracts, and USD 285 billion in non-financial investments.

Preliminary data on Chinese engagement through financial investments and contractual cooperation for 2023 in Asia and Pacific show about 94 deals worth USD 37 billion. This compares to USD 29 billion Asia-Pacific engagement in all of 2022—an increase of 25 per cent.

Of the 2023 engagement, about USD 20 billion was through investment and USD 17 billion through construction contracts (partly financed by Chinese loans). China's overall engagement shows a steady development since 2021 from the onset of COVID-19 (see Figure 1).

About the data:

This analysis is derived from and presents numbers very similar to the China Global Investment Tracker (CGIT), published by the American Enterprise Institute[1]. We expand those data with our own data based on research at Griffith Asia Institute and at the Green Finance & Development Center affiliated with FISF Fudan University, Shanghai. Specifically, T=the CGIT includes deals with a size of over USD 100 million. We expand the data with more research and granularity for sub-sectors and sub-sectors and adjust, include or exclude projects based on our own information.

We consider 53 economies belonging to the Asia Pacific as shown in the map below.

As with most data, they tend to be imperfect and need regular updating.

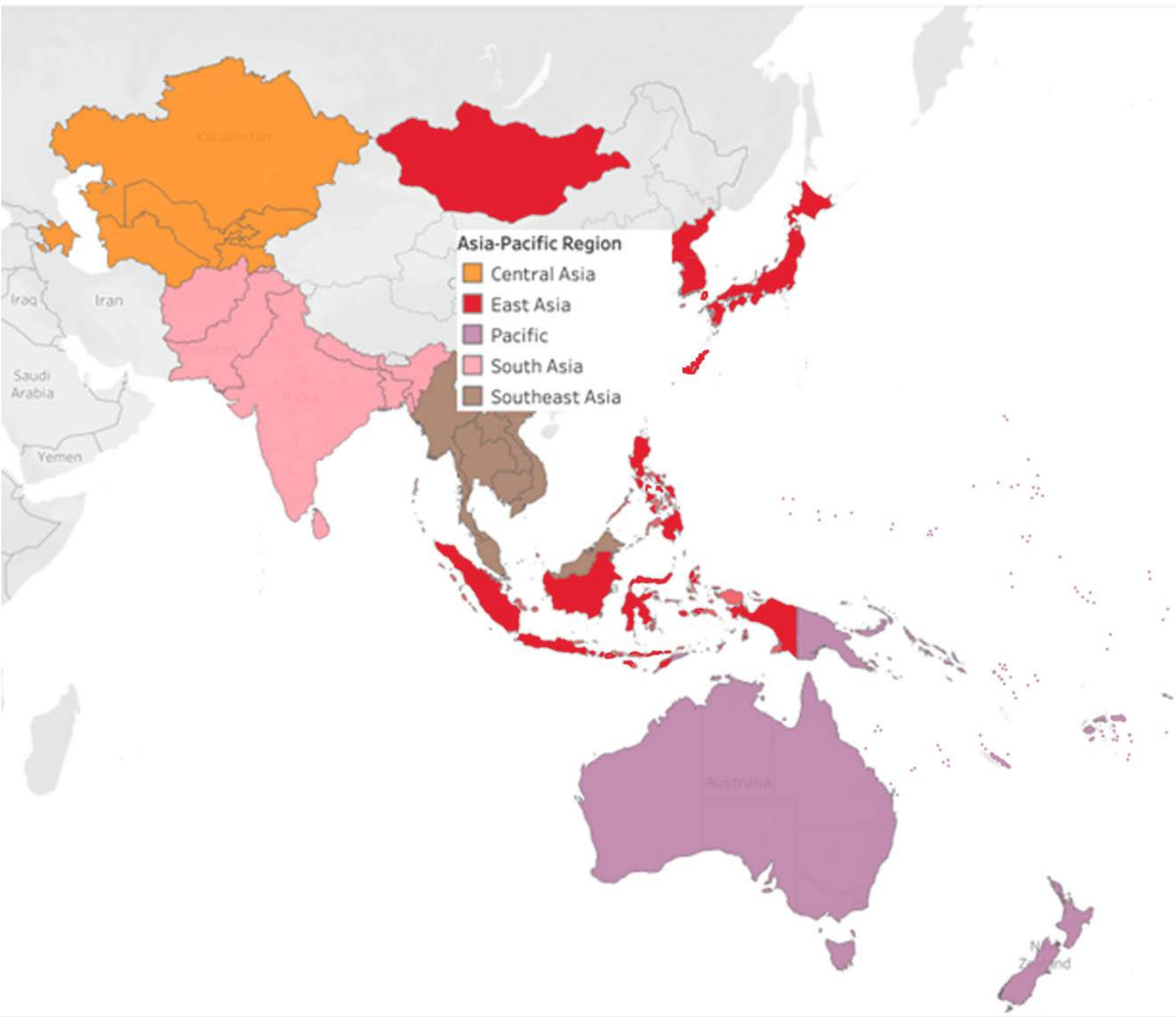
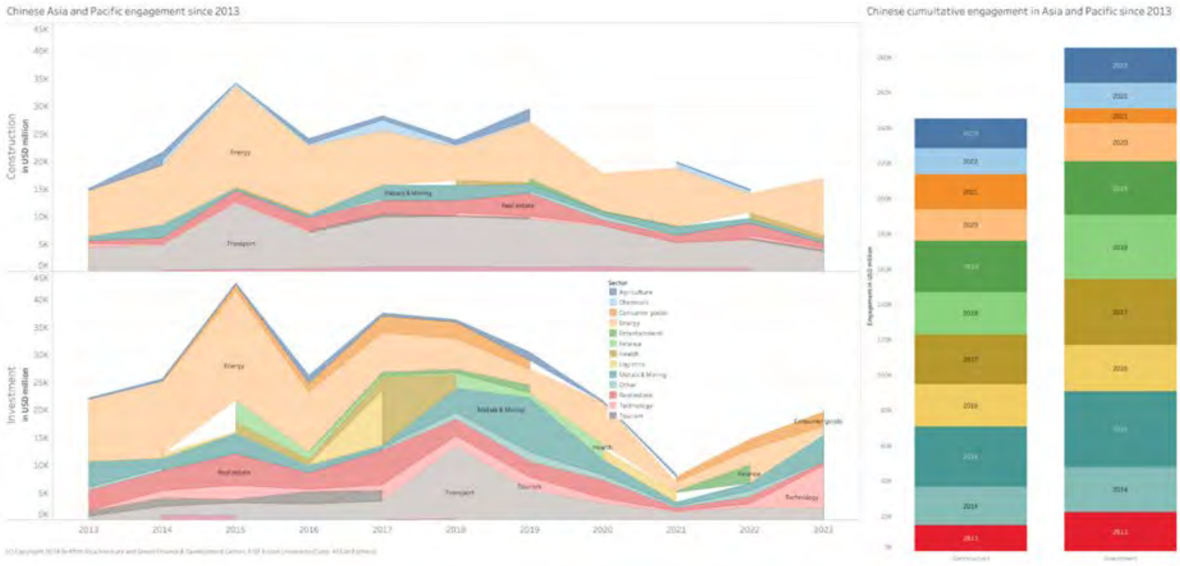


Figure 1: China's construction engagement (top) and investments (bottom) in Asia and Pacific 2013-2023, cumulative (right)



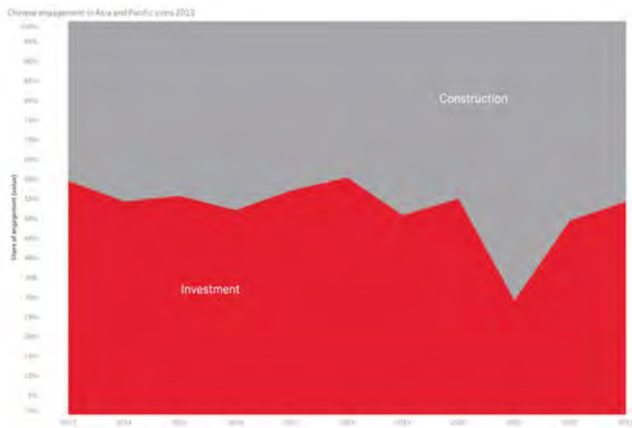
Share of China's investments in Asia-Pacific reverts to pre-COVID levels/the Norm

The share of Chinese engagement in Asia and Pacific through investments compared to construction has nearly returned to its pre-covid levels in 2023: investments reached about 54 per cent of China's engagement in Asia and Pacific compared to 29 per cent in 2021.

China's engagement in the Asia-Pacific region has conventionally been more through investments (50-60 per cent), where Chinese investors take equity stakes at higher risks and use economic and cultural ties to gain market access and technology acquisition.

2021 is the first time that more than 70 per cent of China's engagement in Asia-Pacific is through construction contracts that are typically financed through loans provided by Chinese financial institutions and/or contractors with the project often receiving guarantees through the host country's government institutions (see Figure 2).

Figure 2: Share of construction and investment engagement in Asia and Pacific 2013-2023



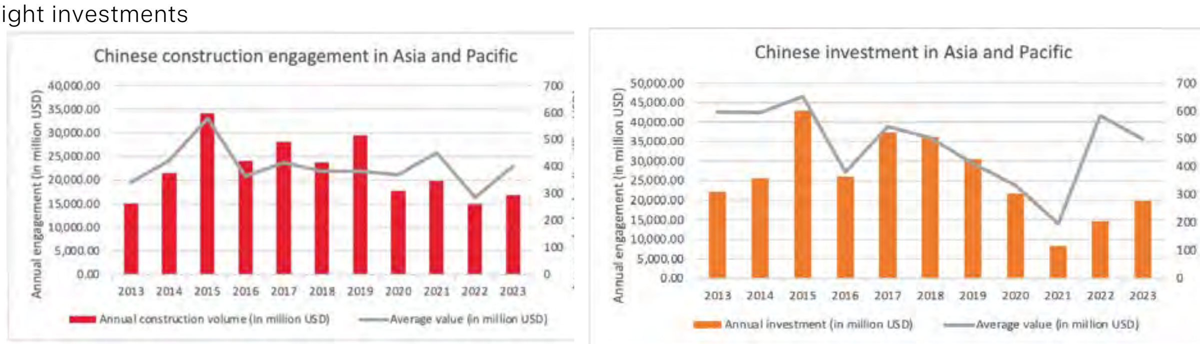
Deal sizes are getting bigger again, particularly for investments

The average deal size for investments remains high in 2023 at about USD 499 million and has more than doubled from a low or USD 195 million in 2021. It has slightly decreased from 2022, when investment deal size in Asia Pacific was about USD 583 million.

For construction projects, the deal size in 2023 increased compared to 2022 from USD 285 million to USD 401 million. Asia Pacific construction deal size has remained relatively steady over the past 8 years. (see Figure 3).

Similar to the overall BRI, China's engagement in Asia and the Pacific does not necessarily reflect the stated China overseas engagement strategy of "small yet beautiful projects" propagated through official channels.

Figure 3: Deal size of Chinese engagement in Asia and Pacific 2013-2023: left, for construction projects; right investments



Regional and country analysis of Chinese Asia-Pacific engagement

Southeast Asia is the largest recipient of China's engagement with strong growth also in Central Asia.

Chinese Asia-Pacific engagement was not evenly distributed among all regions. Southeast Asian countries received 1/3 in Chinese construction contracts (an 8 per cent increase) and nearly 1/2 in investments (27 per cent increase) in 2023. In consequence Southeast Asia retains its position as the largest recipient (40 per cent) of China's total Asia-Pacific engagement worth USD 14.8 billion, overtaking its 2022 engagement level by USD 12.4 billion.

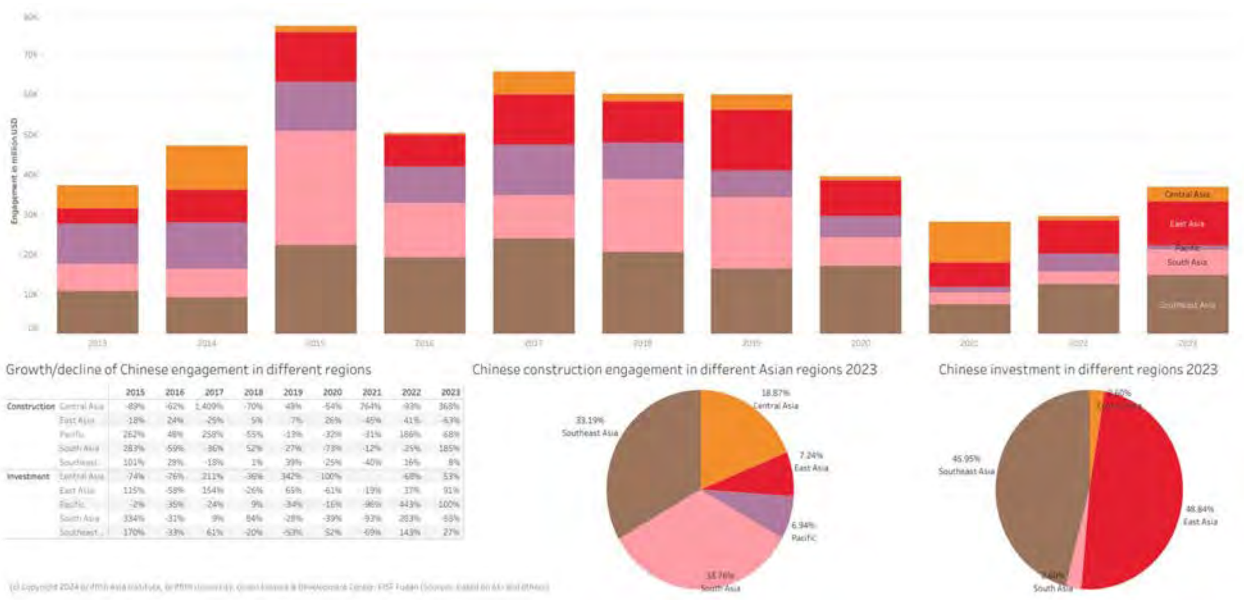
Central Asian countries saw a 368 per cent increase in Chinese construction contracts and a 53 per cent increase in investments, from low bases in 2022. It takes 10 per cent of all Chinese engagement in Asia and Pacific in 2023.

Nevertheless, South Asian countries continued to be a major recipient of Chinese construction engagement, receiving 33.8 per cent of total Asia-Pacific construction engagement in 2023, a growth of 185 per cent from 2022.

East Asian countries, meanwhile, expanded their intake of Chinese investments by 91 per cent to USD 9.8 billion in 2023 (see Figure 4).

Interestingly, Pacific countries were not sustaining growth in 2023—unlike their Asian counterparts—following a downturn in 2021 and a resurgence in 2022, just receiving USD 1.17 billion construction contracts without any investment engagement.

Figure 4: Chinese engagement in different Asian and Pacific regions since 2013



China's financing and investment spread across 21 Asian and Pacific countries in 2023 (same number to 2022, yet the countries involved vary), with 12 countries receiving investments and 18 with construction engagement.

The country with the highest construction volume in 2023 was Kazakhstan, with about USD 1.8 billion (up from 410 million in 2022), followed by Singapore (USD 1.7 billion), Uzbekistan (about USD 1.4 billion) and Cambodia (USD 1.2 billion). An example of a construction project in Kazakhstan is the modernisation of the Combined Heat and Power Plant 2 (CHP-2) in Almaty, involving the conversion from coal to gas. This initiative, valued at USD 740 million, entails collaboration between Dongfang Electric and Power China. [2]

Regarding investments, Indonesia was the single largest recipient with about USD 7.3 billion in investments, followed by Malaysia (USD 2.7 billion), Singapore (USD 2.6 billion) and South Korea (USD 2.3 billion). As part of China's engagement in Indonesia through investment, TikTok has acquired most of Indonesian tech conglomerate GoTo's e-commerce unit for USD 840 million, facilitating its re-entry into the online shopping sector. Additionally, TikTok plans to invest an additional USD 1.5 billion in Tokopedia, Indonesia's largest e-commerce platform.[3]

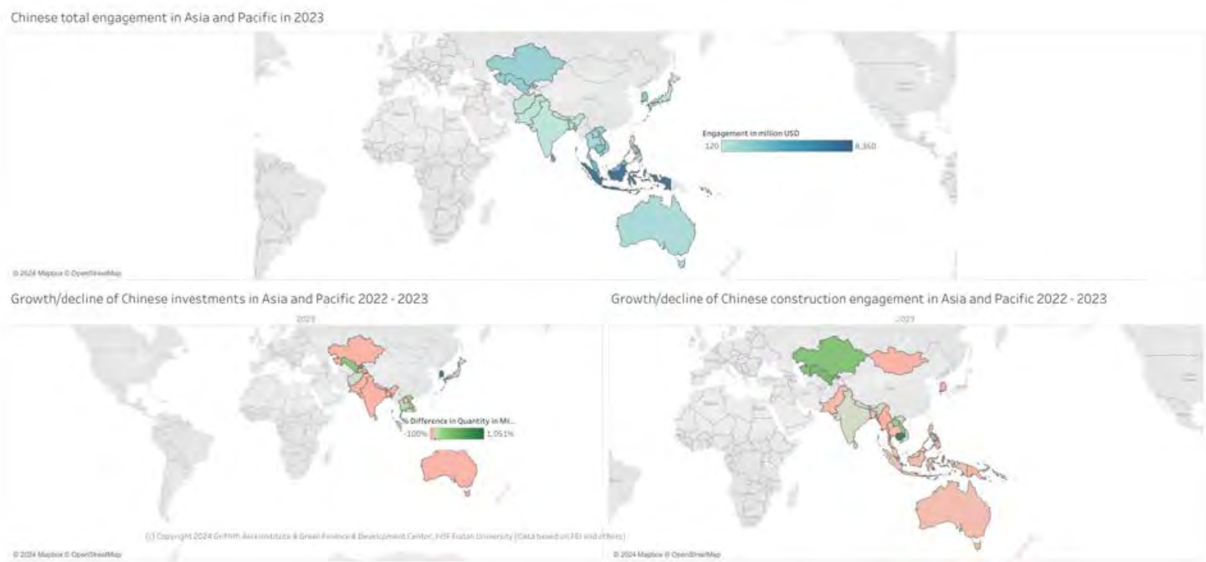
Six countries saw a 100 per cent drop in China's engagement in Asia-Pacific compared to 2022, including the Philippines, Mongolia, Myanmar, Papua New Guinea, Tajikistan and Turkey. China's engagement in Pakistan for the China-Pakistan Economic Corridor (CPEC) dropped by about 74 per cent; China's engagement in Australia dropped by about 66 per cent (see Figure 5).

The countries with the largest growth of China's engagement were South Korea (+577 per cent), Uzbekistan (+375 per cent), Kazakhstan (+240 per cent) Cambodia (+133 per cent), and Vietnam (+91 per cent).

After Russia and Sri Lanka did not receive any Chinese engagement in 2022, China National Chemical Engineering Corporation (CNCEC) joined AEON Corporation to build a methanol plant in Volgograd.[4] Sinopec of China was approved to build a $4.5 billion refinery at Hambantota in the south of Sri Lanka.[5]

China engaged in Afghanistan again in 2023 after a lapse of ten year. The last engagement occurred in 2013. CNPC International secured the rights to extract oil in the Amu Darya river basin, with an agreement to allocate 15 per cent of its profits from the extracted oil to Afghanistan.[6]

Figure 5: Trends of Chinese engagement in Asia and Pacific 2023 (top) and comparison of 2022 and 2023 investments (bottom left) and construction engagement (bottom right)



Sector trends of China's engagement

In 2023, particularly the technology (+305 per cent) and metals and mining (+149 per cent) grew compared to 2022.

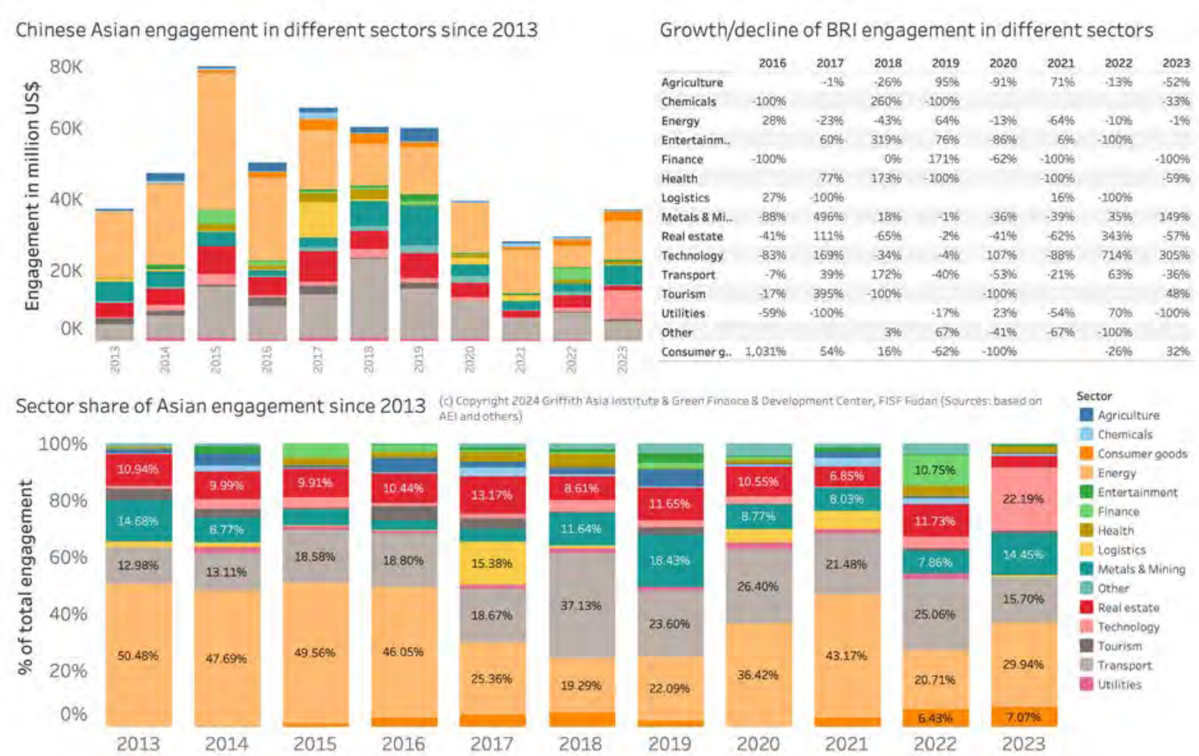
The focus of China's Asia-Pacific engagement continued to be on infrastructure, particularly in energy (29 per cent) and transport (16 per cent). This represents a significant shift from 2022, where transport constituted 25 per cent. The technology sector overtook the transport sector, constituting 22 per cent of Chinese Asia-Pacific engagement. China's metals and mining investment reached 14.5 per cent of total engagement, up from 8 per cent in 2022.

Real estate saw significant drops to 4 per cent, from 11.7 per cent in 2022 (see Figure 6).

> About technology: in 2023, we summarised all electric vehicle and car-related investments into technology, which were previously partly located in the transport sector.

Finance, utilities and health sectors saw significant drops as well.

Figure 6: Chinese Asian engagement in different sectors 2013-2023



Growth/decline of BRI engagement in different sectors

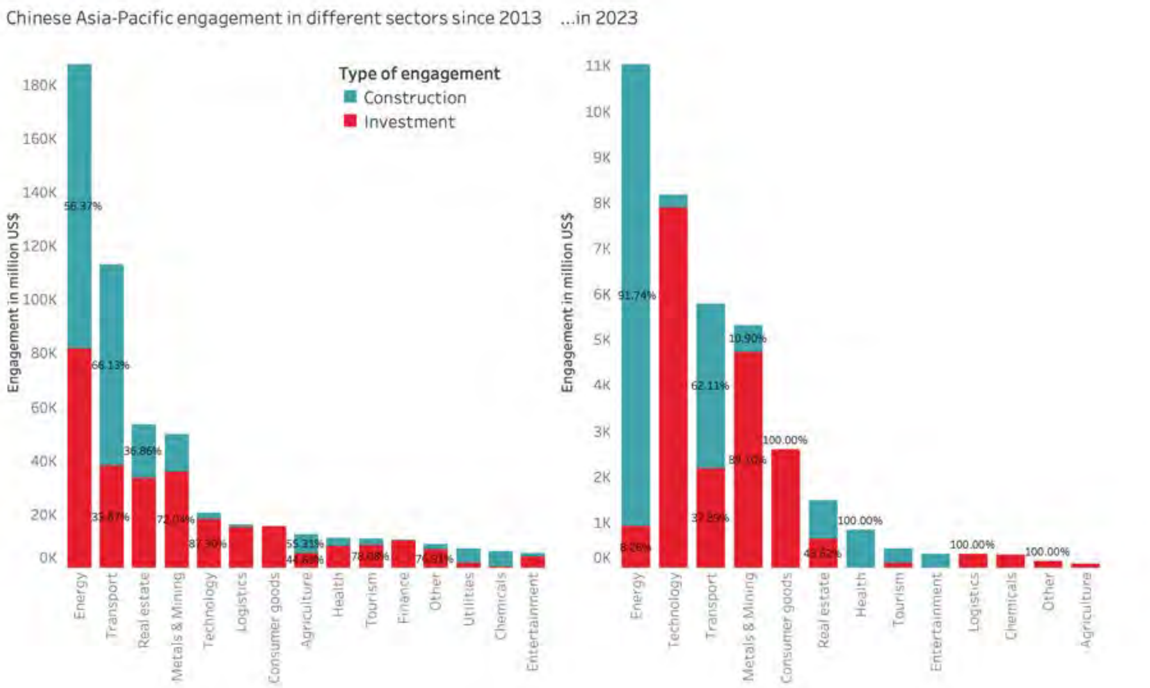
	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture		-1%	-26%	95%	-91%	71%	-13%	-52%
Chemicals	-100%		260%	-100%				-33%
Energy	28%	-23%	-43%	64%	-13%	-64%	-10%	-1%
Entertainm..		60%	319%	76%	-86%	6%	-100%	
Finance	-100%		0%	171%	-62%	-100%		-100%
Health		77%	173%	-100%		-100%		-59%
Logistics	27%	-100%				16%	-100%	
Metals & Mi..	-88%	496%	18%	-1%	-36%	-39%	35%	149%
Real estate	-41%	111%	-65%	-2%	-41%	-62%	343%	-57%
Technology	-83%	169%	-34%	-4%	107%	-88%	714%	305%
Transport	-7%	39%	172%	-40%	-53%	-21%	63%	-36%
Tourism	-17%	395%	-100%		-100%			48%
Utilities	-59%	-100%		-17%	23%	-54%	70%	-100%
Other			3%	67%	-41%	-67%	-100%	
Consumer g..	1,031%	54%	16%	-62%	-100%		-26%	32%

When looking at China's engagement strategy in these sectors distinguished by construction and investment, it reveals shifting trends.

Investment with equity shares and thus higher risk within the Chinese organisations becomes an increasingly important strategy particularly in mining, technology, and transport.

Meanwhile, there is a parallel trend in the increasing importance of construction contracts, typically funded through loans from Chinese financial institutions or contractors, with projects often backed by guarantees from the host country's government institutions. This approach is notably prevalent in energy and real estate sectors (see Figure 7).

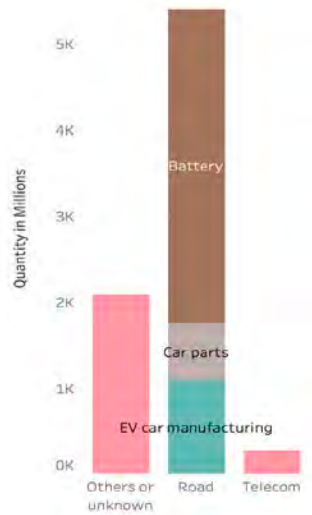
Figure 7: Chinese Asian engagement in different sectors through construction and investment since 2013 (left) and in 2023 (right)



One important growth sector is technology which reached over USD7.8 billion engagement in Asian and Pacific countries with a focus on battery, car parts, EV manufacturing, as well as telecoms (see Figure 8).

Some noteworthy engagements include investments into electric vehicles, such as battery production with Zhejiang Huayou Cobalt in collaboration with LG in South Korea[7] and with Ford and PT Vale in Indonesia [8]; EV car manufacturing with Zhejiang Hezhong's in Thailand[9], with Victory Giant's in Singapore[10], with BYD in Vietnam[11], and with Zhejiang Geely in Malaysia[12].

Figure 8: Technology related Asian investment in 2023



Construction of the 600MW wind power project contracted by Power China and Monsoon Wind Power Company in Laos started in April 2023 (worth around USD 360 million), aiming to export and sell electricity to neighbouring Vietnam.[13]

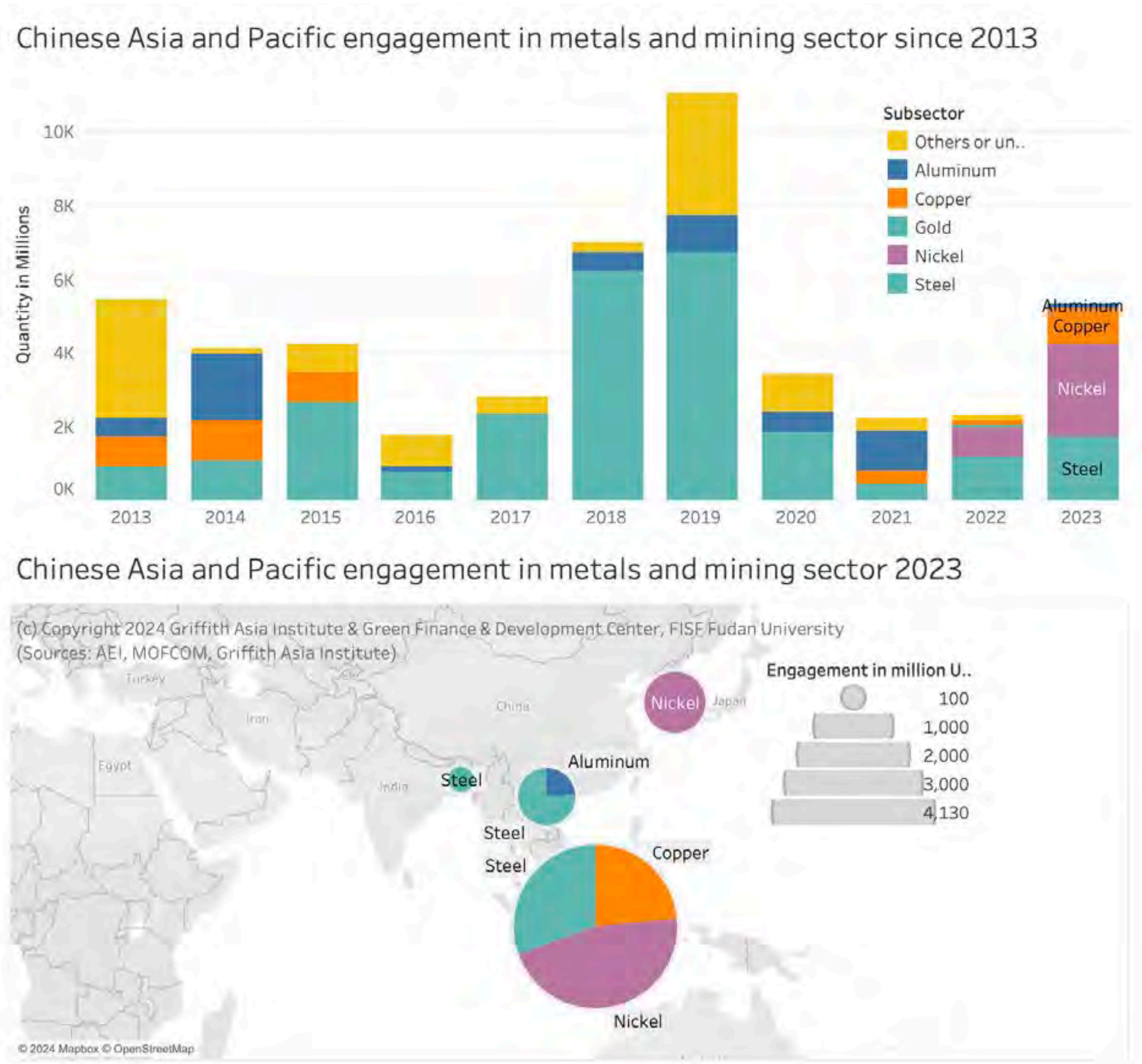
In Indonesia, Tria Solar, Sinar Mas, Agra Surya Energi and Indonesia's government-owned power company PLN agreed to construct Indonesia's largest solar cell and solar panel factory in Central Java.[14]

Another important growth area of strategic importance is China's engagement in metals and mining reaching USD 5.3 billion. Engagement in the sector has grown by 130 per cent compared to 2022 and reached the highest level since 2020. However, there remains a significant gap from the levels observed in 2018/2019. Nevertheless, the first half of 2023 witnessed a sharp increase, even surpassing the total annual amount in 2021 and 2022 combined.

The minerals and metals are particularly relevant to the green transition (e.g., lithium) and batteries for electric vehicles. China's primary investment focus within the Asia-Pacific region is centred on Indonesia, South Korea, Vietnam and Bangladesh. China already holds significant shares of global mining sources (e.g., over 80 per cent of global graphite resources), and even more control in material processing (where across lithium, nickel, cobalt and graphite, China owns more than 50 per cent of global capacity).[15]

Examples include vertical integration investments by the world's largest battery manufacturer CATL, which bought the shares for a nickel mining concession in Indonesia from PT Aneka Tambang Tbk (Antam).[16] Taiyuan Iron & Steel Group (TISCO), a subsidiary of China Baowu Steel Group (Baowu), and Shandong Xinhai Technology (Xinhai) in a joint venture with PT Vale has started construction on a USD 2.48 billion integrated low-carbon nickel mining and processing project in Central Sulawesi.[17] Others are a copper foil plant in Indonesia by Zhejiang Hailiang,[18] and steel factory of Zhejiang Yongjin in Nghe An province, central Vietnam[19] (see Figure 9).

Figure 9: Chinese Asia and Pacific engagement in metals and mining 2013–2023



Energy-related engagement in the Asia-Pacific at low levels but with green growth including transmission

China's energy-related engagement in 2023 was the greenest since 2013: in 2023, China's green (solar, wind) energy engagement was about USD 3.5 billion, about 31 per cent of energy engagement, plus an additional 11 per cent (USD 1.2 billion) into hydropower. However, China's oil-related engagement in Asia Pacific outstripped green energy engagement by about USD 4.7 billion, amongst other due to a USD 4.5 billion refinery facility in Sri Lanka..

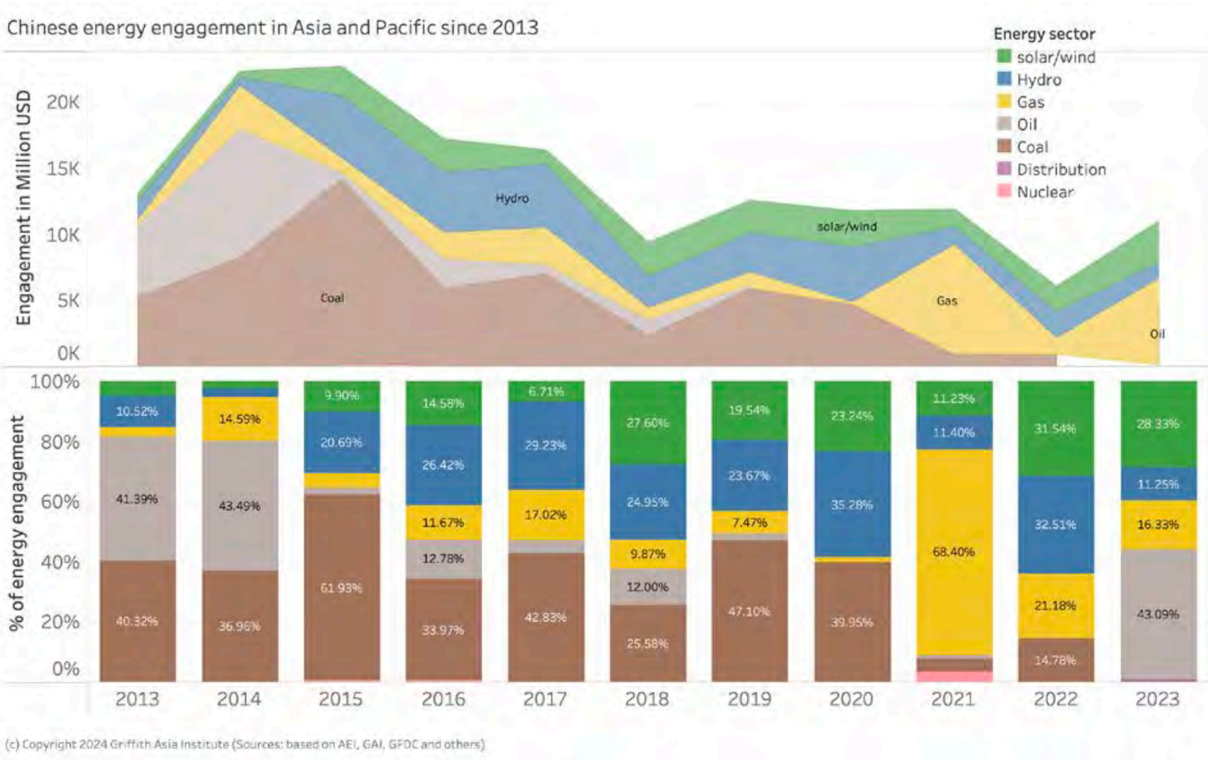
> Starting with our China BRI Investment report 2023[20], we included energy-related transmission engagement.

Chinese engagement related to the energy sector constitutes the largest share of China's engagement in Asia-Pacific. In 2023, total engagement in the energy sector surpassed USD 11 billion—which is a swift recovery from the decline observed in 2022.

A particular development is increased green energy (solar, wind and biomass) engagement, which reached records of USD 3.1 billion (this number does not include Chinese export of solar equipment).

Also, engagement in distribution systems (e.g., substations, power lines) initiated in Laos in 2023. This pertains to the implementation of a 200-kilometer-long transmission corridor stretching from Laos to Cambodia, valued at USD 150 million and undertaken by the Yunnan Energy Investment Company[21] (see Figure 10).

Figure 10: Chinese total energy engagement in Asia and Pacific 2013-2023



Coal

Following China's announcement in September 2021 to not to build new coal fired power plants, select new coal-fired power projects seem to progress.

In January 2024, a new 380 MW coal-fired power plant unit, Labota No. 7 built by Chinese companies, started operation[22], the Pakistan government approved a 300 MW of coal fired power in Gwadar, Pakistan in January 2023[23] to be constructed by China. While Pakistan had announced in December 2020 to not build new coal-fired power plants, various sources report that China was interested in providing financial and technical support for the project[24]—including the design that requires import of coal (rather than using possibly more affordable domestic coal in Pakistan).[25] However, no financial closing has been announced, which is why this project is not included in the 2023 H1 dataset.

Oil and gas

Oil and gas engagement fell slightly to USD6.5 billion (57 per cent of Chinese overseas energy engagement), USD 1.8 billion in gas and USD 4.7 billion in oil.

A major deal was the USD 4.5 billion engagement by Sinopec in Sri Lanka to build an oil refinery, which was approved in November 2023.[26]

Rumours of an 8 GW gas power plant in Yakutia, Russian Far East, with China's Power China from June 2023 have not yet been confirmed.[27]

At the same time, Asia-Pacific partners invested in China to support oil development, such as Sime Darby Oils International Limited collaborates with Guangxi Beibu Gulf Port Group to build a trading and distribution centre for refined palm oil and shortening in Qinzhou, Guangxi Zhuang Autonomous Region.

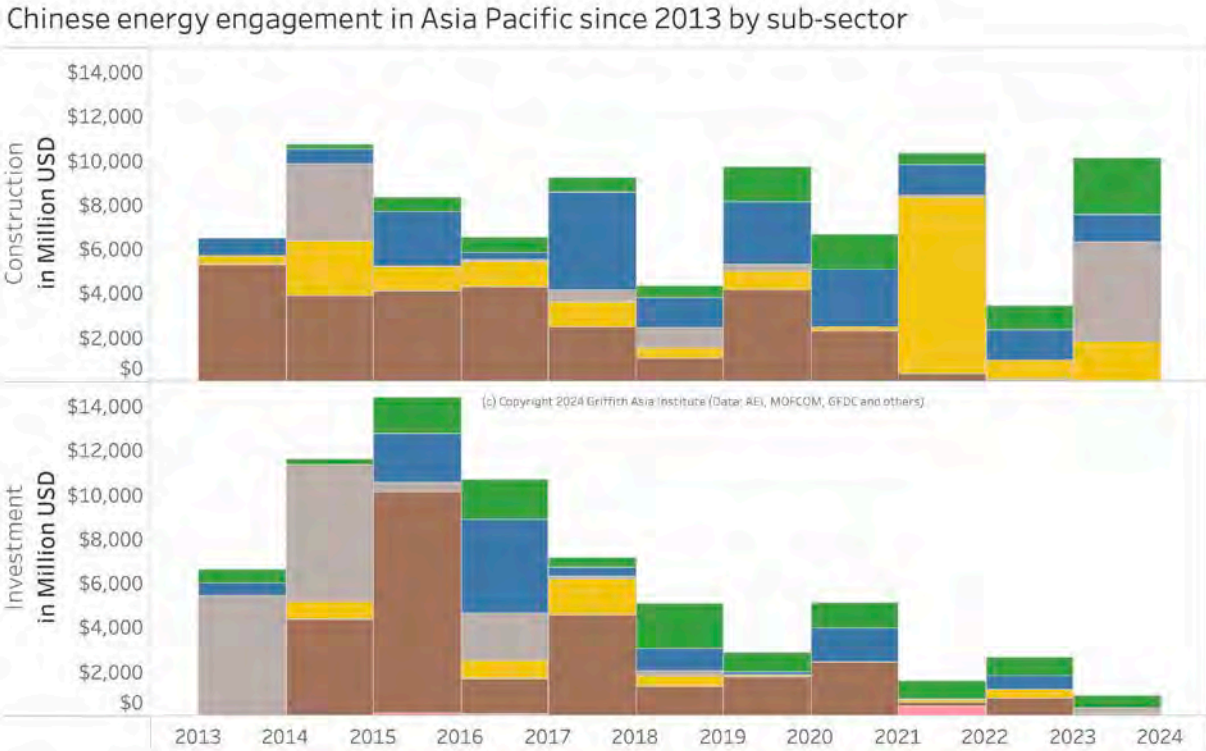
Green energy/hydropower

China's total engagement in green energy (solar and wind) and hydropower amounted to about USD 4.3 billion in 2023. This compares to USD 3.9 billion in 2022 (see Figure 10).

Looking at investment only, Chinese green energy (solar/wind) decreased to USD 550 million from USD 800 million in 2022, while hydropower investment fell to zero in 2023 from USD 620 million in 2022.

Meanwhile, construction projects related to green energy (including hydropower) increased from USD 2.4 billion in 2022 to USD 3.8 billion in 2023.

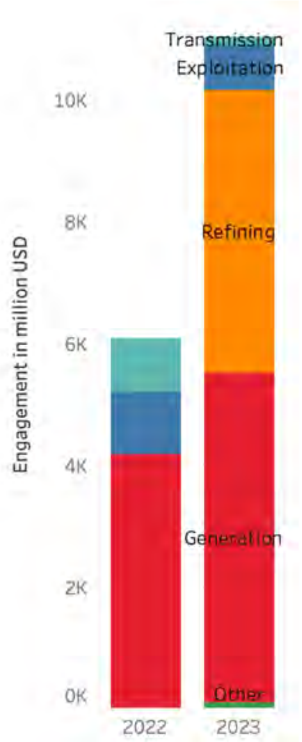
Figure 11: Chinese energy engagement through investment and construction in the Asia-Pacific 2013-2023 by subsector



Energy engagement across the supply chain

China's engagement across the energy supply chain has evolved in the data frame from 2022 to 2023. While in both years, energy generation was most important for China's engagement in Asia and Pacific, particularly refining has seen a significant increase to USD 4.6 billion in 2023. In contrast, exploitation (particularly in oil and gas) has decreased from USD 1 billion to USD 750 million. Transmission engagement, crucial for the green transition, has also decreased from USD 870 million to over USD 110 million (see Figure 12).

Figure 12: Energy engagement across the supply chain



Energy engagement in different countries

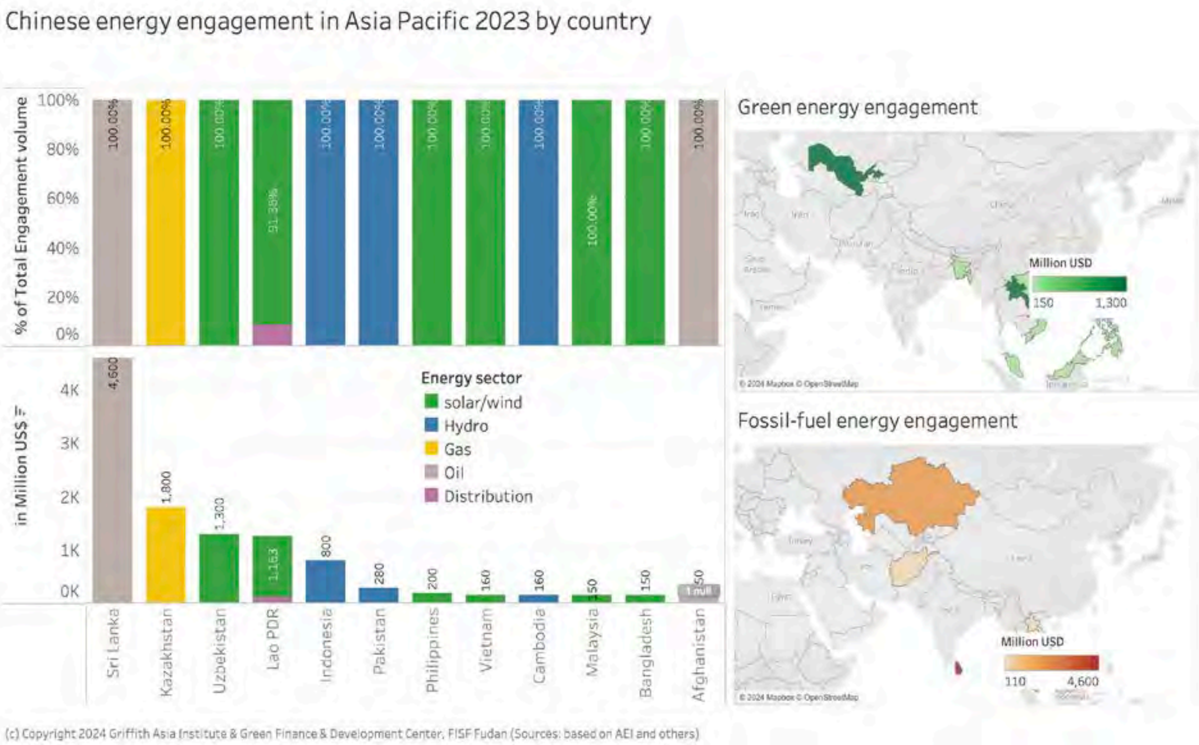
Analysing Chinese energy engagement in different Asia-Pacific countries, we find that, Sri Lanka took the top spot (USD 4.6 billion) due to Sinopec's engagement in building an oil refinery.

Kazakhstan, Uzbekistan and Lao PDR also saw the energy engagement over USD 1 billion. However, their energy investment varies significant across sectors. Kazakhstan invested heavily in brown energy (USD 1.8 billion) whereas Uzbekistan (USD 1.3 billion) and Lao PDR (USD 1.1 billion) engaged significantly in green energy (solar/wind) in 2023 (see Figure 13).

Overall, the most important partners for China's Asia-Pacific energy engagement since 2013 is Pakistan, which has received USD 28 billion through investment and construction contracts (most of which in hydropower and coal). Pakistan is followed by Indonesia and Australia.

An interesting case for China's energy investment is Uzbekistan: after a cancelled coal-fired power plant in 2021, Uzbekistan saw strong engagement in green energy through a 400 MW solar photoelectric plant in the Andijan region and Uzbekistan's first green hydrogen project undertaken by Power China in 2023.[28]

Figure 13: Chinese energy engagement in the Asia-Pacific by country in 2023



Transport engagement in the Asia-Pacific

Transport-related engagement is key to providing the means to trade between China and the Asia-Pacific countries—where trade is a core component of the region. Accordingly, China has invested in and constructed projects in road, rail, aviation, shipping, and logistics across the region. However, there has been a decline in overall transport engagement (see Figure 14).

Aviation: Two projects were announced, including the construction of underground tunnels for

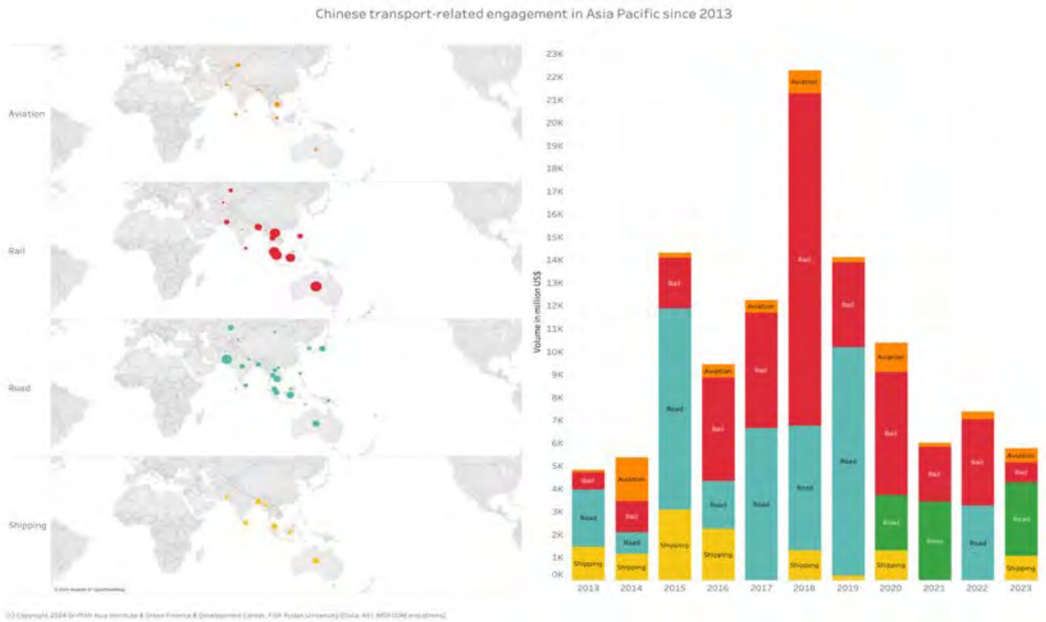
Singapore Changi Airport by Shanghai Tunnel Engineering,[29] and the upgrade of the runway of Honiara Airport in Solomon Island by China Railway Construction[30].

Rail: Total rail engagement was worth USD 860 million, with CCCC securing contracts for the design and construction of the King Albert Park station and the Clementi station in Singapore, valued at USD 700 million.[31]

Road-transport: China continues to engage in road construction projects across many countries worth USD 3.2 billion. Examples include a toll road in Cambodia worth about USD 1.6 billion. [32]

Ports: Some shipping and port-related projects investments were announced in 2023, such as the contract of China Harbour Engineering Company (CHEC) with Kampot Logistics and Port Company to construct a multi-purpose seaport in southwestern Cambodia's Kampot province.[33]

Figure 14: Chinese engagement in Asia and Pacific transport infrastructure 2013-2023



Major players in Asia-Pacific investments

Among the major players for Asia-Pacific investments in 2023 were—contrary to most years before—not exclusively Chinese SOEs, but private enterprises (see Table 1).

For investment projects, Zhejiang Huayou Cobalt, one of the world's largest cobalt refiners, led ahead of Alibaba (both private companies).

The Chinese companies most prominently featured in construction projects in the Asia-Pacific in 2023 was China Petroleum and Chemical (Sinopec), followed by China Communications Construction (CCCC) and Power Construction Corp (Power China). This development for construction projects is in line with last years' trends.

Table 1: Major Players in Chinese Asia-Pacific investments in 2023 (parent companies)

Largest Chinese investors in Asia and Pacific in 2023 (parent companies)

	% of total
Zhejiang Huayou Cobalt	21.2%
Alibaba	11.6%
China Communications Construction	10.3%
Shandong Xinhai, BaoWu Steel (Baosteel)	9.9%
GEM	9.7%
Hailiang	6.8%
Bytedance	6.6%
Shenzhen Xingyuan	5.4%
Hefei Xinmei Materials	4.9%
China Communications Construction, Guangxi Beibu	4.8%
Hunan Zhongwei	4.6%
China Energy Engineering	4.1%

Largest Chinese construction companies in Asia and Pacific in 2023 (parent companies)

	% of total
China Petroleum and Chemical (Sinopec)	30.1%
China Communications Construction	22.2%
Power Construction Corp. (PowerChina)	18.5%
China National Machinery Industry (Sinomach)	8.2%
Power Construction Corp. (PowerChina), Dongfang Electric	8.0%
China Energy Engineering	4.8%
Minmetals	4.3%
State Construction Engineering	3.8%

China's Asia-Pacific investments in a global comparison

Foreign direct investments (FDI) to developing countries fell to USD 841 billion in 2023, a drop of 9 per cent, according to UNCTAD's Global Investment Trends Monitor, published in January 2024.[34]

Particularly developing countries in Asia saw a steep decline of FDI, registering a 12 per cent drop. FDI into Africa and Latin America, meanwhile, remained more stable.

In Asia, developing economies remained nevertheless attractive destinations for greenfield projects, despite drops of FDI of 6 per cent in China and 47 per cent in India. Similarly, ASEAN economies saw a decline of 16 per cent - despite a 37 per cent increase in greenfield investments.

Middle Eastern countries saw a rise in greenfield announcements, led by a 28 per cent increase of FDI in the UAE.

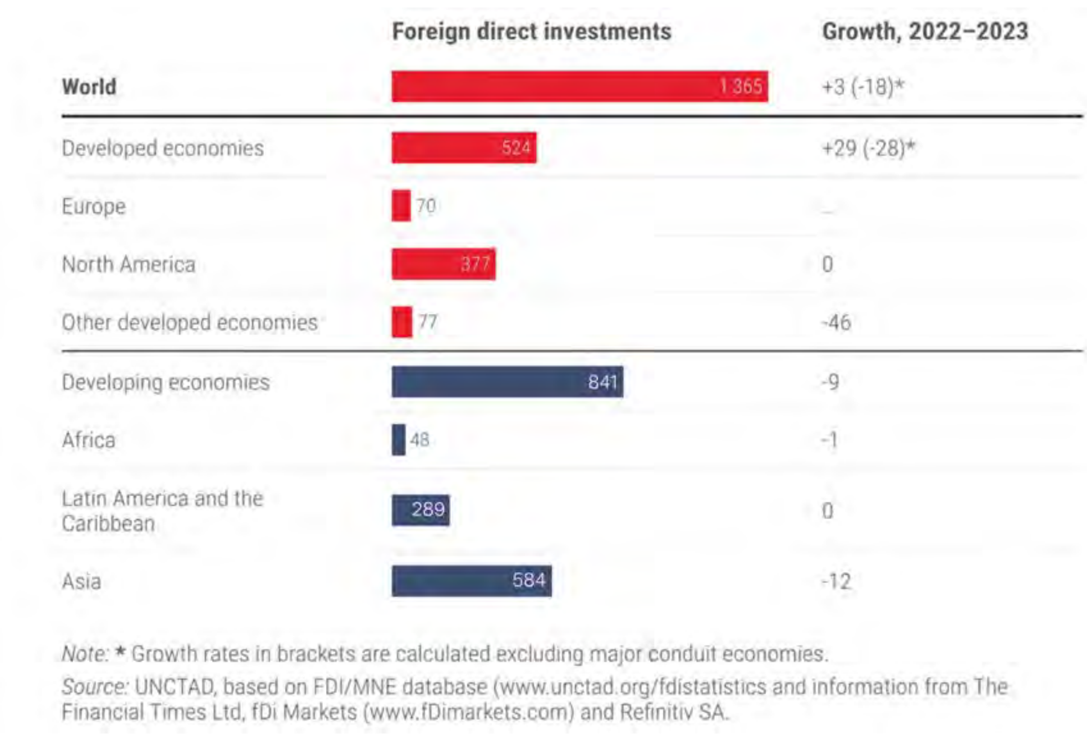
African FDI flows, meanwhile stayed stable at an estimated USD 48 billion with strong engagement in Morocco, Kenya, and Nigeria. An issue seemed to have been infrastructure engagements, which dropped by more than 30 per cent in Africa.

Also, Latin American economies saw a decrease in FDI, such as a drop of FDI by 22 per cent in Brazil (particularly project finance).

Worrisome is the first decline (17 per cent) in international project finance deals for renewable energy since the Paris Agreement.

Looking ahead, UNCTAD expects a modest increase in FDI flows in 2024 with moderate inflation and tempered borrowing cost. However, geopolitical risks, and high debt levels remain a concern for global FDI flows.

Figure 15: FDI trends in 2023, global and by region (billion USD and percentage change compared to 2022)



Source: UNCTAD

Outlook for Asia and Pacific finance and investments

Chinese finance and investments into the Asia-Pacific countries in 2023 have accelerated.

For 2024, a further recovery of Chinese investments and construction contracts seems possible. On the one hand, there is clear need for investments to green boost growth to support the green transition both in China and in the Asia-Pacific countries. This provides great opportunities for mining and minerals processing deals, technology deals (e.g., EV manufacturing, battery manufacturing) and green energy (e.g., energy production and transmission). China refers to these industries (electric vehicles, batteries and renewable energy) as the "New Three".

Furthermore, continuing post-COVID19 investments by global financial institutions, including developing finance institutions (such as the World Bank, Asian Development Bank, AIIB) provide infrastructure development opportunities for Chinese contractors.

We do expect Chinese engagement in Asia and Pacific to reach levels at least as high in 2024 as in 2023. Part of this expectation is driven by challenges in China's domestic economic development, where Chinese companies seek opportunities in other countries.

In line with our previous predictions, we continue to see deal numbers increasing. With strong engagement in sectors requiring significant investment (e.g., mining, manufacturing), compared to sectors with variable engagement (e.g., renewable energy), we can expect deal size to also remain larger than in 2021 and 2022.

We also see stronger engagement in job-intense industries, including processing of minerals and metals, as well as in manufacturing (e.g., batteries, solar panels, car parts). Furthermore, China might continue engagement in large strategic infrastructure project that might not have direct financial benefits such as in strategic rail, road and ports and avoid dependence on vulnerable transportation links.

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About Griffith Asia Institute

Griffith Asia Institute (GAI) at Griffith University, Brisbane, Australia, is an internationally recognised institute providing knowledge, and solutions for sustainable development in Asia-Pacific. With a history of over 20 years, GAI has forged strong partnerships with key decision-makers in business, policy and with research institutions across the region. With over 80 faculty members and 50 adjunct members, GAI works in multidisciplinary teams and draws on a wide range of technical expertise in energy, finance, policy, economics as well as in regional studies including a strong China component.

GAI is led by Professor Christoph Nedopil and is organised in knowledge and regional hubs:

The Green Transition and Sustainable Development Hub addresses major challenges and opportunities for Asian and Pacific economies in addressing SDGs related to climate, life on land, life in the sea, partnerships, infrastructure and energy.

The Governance and Diplomacy Hub addresses major challenges and opportunities in the region for peaceful co-existence, diplomacy, inclusive governance, policymaking and institution building.

The Inclusive Growth and Rural Development Hub addresses major challenges and opportunities in the region regarding currently underserved communities (e.g., women, indigenous, youth, rural, or people with disabilities).

The four regional hubs address major regional and country-specific challenges and opportunities in (1) Southeast Asia, (2) South Asia, (3) Pacific and (4) China and the Region, each with their own hub lead.

https://www.griffith.edu.au/asia-institute

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