



Boao Forum for Asia Annual Conference 2018

Session Summary (No. 22)

Boao Forum for Asia Institute

April 9, 2018

TV Debate 2

Rethinking Overseas Investment

Time: 5:30 p.m. - 6:00 p.m., April 9, 2018

Venue: ICC, Level 1, Dong Yu Grand Ballroom D

Panelist:

YANG Yanqing, Deputy Editor-in-Chief, CBN News

Mark BARNABA, Vice Chairman, FMG, Australia

Andrew GECZY, CEO, Terra Firma

TU Guangshao, Vice Chairman & President, China Investment Corporation

Junichi UJIIE, Permanent Adviser and Former President, Nomura Securities
Inc

**Key points:**

- China is still in great need of huge-volume foreign investment.
- Chinese companies are making more rational and healthy foreign investment.
- Foreign investment demands a lot of spending and thinking. China has been very successful in this regard, and recently, such cautiousness and sensibility has proved very wise.
- China could open itself up on a lasting basis only when the government carries out more effective macro-management to maintain financial and economic stability, plus the efficient operations of market players.
- Man-built barriers like tariffs and trades will not bring about a win-win situation. Only a broader degree of openness will accelerate the development.
- China will soon be home to 400 million middle classes, which is a big opportunity for companies across the world.
- It's not advisable to criticize protectionism all the time instead of pondering the reason behind it. To tackle protectionism is to deal with global challenges.
- China should seek long-term investment amidst openness and economic stability, and simplify national policies to facilitate foreign investment.
- Some mediocre investment stocks should be disposed of as per the market-oriented standard, and there are lessons to learn that will help with the future "going global".

Synopsis:

In 2016, China's non-financial investment overseas was US\$170 billion. Under market economy conditions, companies are considering going global



out of concern about the costs and other factors. However, precaution should be exercised against irrational overseas investment. What are the basic considerations of the Chinese government when it releases a series of policies on overseas investment? How should we cope with the anti-globalization attempts and protectionism in the developed countries in Europe and America? What kind of attitude should China, as an emerging big investor, take towards the companies going international? The guests held discussions on this topic.

More rational, more sound

TU Guangshao said that although the overall scale of China's foreign investment fell significantly during 2016~2017, it still added up to \$120 billion in 2017. That figure suggested China is still in great need of huge-volume foreign investment. The major outbound investors in China are spending money on a more rational basis.

Henri Giscard d'Estaing stated that any investment is supposed to be a win-win. Europe is very concerned with the investment in China. Now some problems need to be addressed, but more importantly, there are wrong viewpoints that must be stemmed. In fact, such investment is likely benefit both Chinese and European companies. He also expressed his optimism over the Chinese government's rational overseas investment.

Mark BARNABA mentioned that China's direct foreign investment is actually very active and successful. The "Belt and Road Initiative" will undoubtedly continue to play an increasingly important role in FDI and global direct investment. At the same time, he also emphasized the social qualification -- an element closely related to investment, believing that stronger integration into the community and society will be one of the concerns with the investment in the next 10~15 years.



Andrew GECZY believed that China has been very successful in foreign investment, and recently, such cautiousness and sensibility has proved very wise.

Junichi UJIIE said that China should have a rational reflection over the exchange rate pressure caused by capital outflows. The country's growth rate of overseas investment has been on the increase. At this rate, it is quite normal that some investment appears irrational. What deserves to be pondered over is the exchange rate pressure caused by capital outflows.

Anti-globalization and protectionism

TU Guangshao said that the reason we must review and reflect on the globalization is that, objectively, this process has indeed brought along with it some contradictions and imbalances, including investment and trade imbalance, imbalance of social distribution, and imbalanced interests between nations. The correct response is to confront and review these contradictory issues, and meanwhile, not to deny the globalization or even go backward in an all-around way. The "Belt and One Road" initiative puts forward the principle of "extensive consultation, joint contribution and shared benefits, which reflects the idea of mutual benefits and win-win results, Mutual benefits and win-win results entail redressing existing conflicts and imbalances as well as taking major steps to further promote the globalization at this stage.

China should seek long-term investment amidst openness and economic stability. China's foreign investment is a key part of its opening up policy, which indicates that the country's foreign investment has increasingly integrated with the global economy. The national policies are also being



simplified to meet the demand for foreign investment. In 2012, several departments issued policies to provide more supports for foreign investment. A lot of procedures have been simplified, e.g. changing past approvals to registration. That's adequate evidence of China's adaptation to its opening-up policy.

China's opening up requires both effective market players and macro management. Only in this way can China open itself up on a lasting basis.

Mark BARNABA believed that all countries have a financial or legal system that makes rules on foreign investment, and all countries have a foreign investment deliberative body. As for tariff protectionism, these man-built barriers like tariffs and trade will only slow down growth and function against a win-win result.

Both Andrew GECZY and Henri Giscard DEstaing believed that protectionism is not a long-term trend, but only a short-term adjustment.

The Impact of Sino-American trade friction

TU Guangshao said that the trade friction, though only occurring between China and the United States, may still have a collateral and follow-up effect across the world considering the economic presence of the two states.

A recent statement issued by China not only showed the country's effort to defend its position, but also reflected its consideration of safeguarding the long-term interests of the world. If Chinese companies want to increase their investment in the United States, they shall continue to look for U.S. partners and invest in accordance with commercial and market rules. That's also the general trend of overseas investment. On the other hand, they also need to invest more wisely and figure out why a portion of their previous spending was unwelcome or even wasted in the local market.



TU Guangshao said that CIC certainly wants to increase its direct investment in the United States, but the latter, on one hand, wants to see more investment and on the other, imposes loads of restrictions. That reveals a lot of contradictions.

Enterprises should understand the international rules and the cultural traditions in the regions where they invest. In particular, they must establish a mutually beneficial and win-win concept. It requires both resilience and persistence to direct the investment behaviors in this way. In this process, Chinese companies will also see many opportunities in the United States.

For some low-quality stocks of overseas investment, Tu Guangshao said that in the past, due to improper methods, inadequate strategic guidance and post-investment management, there existed some mediocre stocks that need to be disposed of as per the market-oriented standard. More importantly, there are lessons to learn that will help with the future "going global".