China outbound investment surges to record levels on clean energy 'tsunami'

Beijing's booming green tech sector is increasingly driving FDI flows into global markets

China's domination of the global clean energy supply chain has raised concerns in the US and EU © Costfoto/NurPhoto via Getty Images

Edward White and William Sandlund in Hong Kong | 2 Oct 2024 |FT

China's outbound investment is surging from already-record levels, government data shows, as analysts suggest that the country's booming clean energy technology sector is increasingly looking to set up manufacturing operations abroad in the face of US and EU tariffs.

Investment from China into other countries rose 12.5 per cent in renminbi terms to Rmb789.45bn ($112.5bn) in the first eight months of 2024 from the same period the year before, according to statistics released last week by the Ministry of Commerce and the State Administration of Foreign Exchange.

That jump followed an increase of 6 per cent to Rmb1.04tn for the full year in 2023 on the year before, according to the commerce ministry.

Meanwhile analysts at Climate Energy Finance, a Sydney-based research group, have recorded a "tsunami" of investment in renewable energy and transport electrification projects, calculating Chinese companies have committed $109.2bn in outbound FDI across

130 clean technology transactions since the start of 2023, according to corporate announcements and financial statements.

Chinese leader Xi Jinping has sought to boost advanced manufacturing, including next-generation and clean energy technologies, to shore up slowing growth in the world's second-biggest economy in a strategic departure from property and infrastructure investment.

Tim Buckley, CEF director, said China was not just exporting its cleantech manufacturing capacity surplus, but was increasingly exporting its technology, engineering, supply chain and financing capacities.

China's biggest 40 clean tech investments by dollar value since the start of 2023 included manufacturing facilities and energy generation projects in sectors spanning electric vehicles and their batteries, hydro, solar and wind power, battery storage systems and electricity transmission, CEF said in a report released on Tuesday.

But Beijing's growing domination of global supply chains for clean energy technologies — as well as the critical resources they rely on — has also raised concerns in the US and EU.

Washington and Brussels have alleged that Beijing's industrial policy violates international trade rules by unfairly advantaging domestic companies, creating overcapacity in their home market and outpricing western rivals. The US has threatened to ban Chinese electric vehicle imports, while EU member states are set to vote on Friday on raising tariffs to as high as 50 per cent.

The US and EU have accused Chinese manufacturers of expanding overseas in order to dodge tariffs in their markets.

CEF noted that China's overseas investment spree was driving new industry hubs in countries including Thailand, Indonesia, Brazil, Hungary and Morocco. Chinese overseas investment accounted for about 11 per cent of the global total in 2023, a year when global FDI flows slowed by 2 per cent, according to both Chinese and UN data.

Oxford Economics in August noted a "structural change" in Chinese ODI from western countries to Asia, with a rise in investment in manufacturing industries. "ODI [from China] is growing on a scale we can't ignore and compares with the largest global investors like the US and Japan," said Betty Wang, economist at Oxford Economics.

China's official FDI statistics are often inconsistent, with government bodies reporting diverging figures and a lack of clear sector breakdowns. But the broader trend is in line with analysts' observations. Research group fDi Intelligence earlier this year estimated that outward capital investment by China-based companies reached $162.7bn in 2023, the highest figure since records began 20 years earlier.

The fDi Intelligence data also showed Chinese investment outflow substantially exceeding FDI into China, which has collapsed amid tensions with the US and Europe and fears over the slowing domestic economy.

Xuyang Dong, a CEF analyst, noted that the “dramatic” increase in overseas FDI coincided with plunging prices for many cleantech products in China, following years of scaled up domestic manufacturing. Prices for solar modules and batteries have halved this year.

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