The Opportunity to Chinese Enterprise in Foreign Direct Investment During the Period of Greece Economic Recovery

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ABSTRACT

Foreign direct investment (FDI) has taken an important role in economic development in China. During the period of Greece economy recovery, new Marshall Plan would offer good opportunities to Chinese enterprises, if FDI (Foreign Direct Investment) can be made on scientific analysis basis in order to avoid risks. As a growing country, China would make more contribution in economy recovery in Greece.

Keywords: China, Chinese Enterprise, Foreign Direct Investment (FDI), Greece Economic Recovery, New Marshall Plan, Opportunity, Risk

1. INTRODUCTION

In the development of economy globalization, foreign direct investment (FDI) would play an important role in participating in international division of labor and international competition. Since the economy reform and opening up policy carried by Chinese government, China’s economy has been developed rapidly. Meanwhile China’s foreign direct investment has taken a considerable progress under the guidance of “going out” strategic objectives in recent years.

2. FDI WOULD TAKE AN IMPORTANT ROLE IN CHINESE ECONOMY GROWTH

2.1. Scale of Foreign Direct Investment

By the first half of 2011, China FDI outflow was US $26.2 billion, up by 17% year on year; According to 2010 Statistical Bulletin of China’s Outward Foreign Direct Investment, China’s outward FDI net flows (outflows) in 2010 reached US $68.81 billion, increasing by21.7% compared to the number in 2010. By the end of 2010, more than 13,000 domestic investing entities had established about 16,000 overseas enterprises, spreading in 178 countries.

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and regions globally, the accumulated outward FDI net stock volume(stock) stood at US $317.2 billion. The World Investment Report 2011 by UNCTAD showed that, China’s outward FDI flows and stock in 2010 took global shares of 5.2% and 1.6%. China ranked 5th among all economies in terms of outward FDI flows and 17th in terms of stock. In short, China FDI has witnessed dramatic changes under “going out” strategy; China has integrated into the world economy actively (Table 1).

2.2. Flows of Foreign Direct Investment

From the perspective of investment purpose, the balance of payments report First half of 2011 by State Administration of Foreign Exchange showed that, China outward FDI (non-financial sector) flowed to Asia (71%), Latin America (12.6%), Oceania (6.8%), Europe (4.2%), Africa (3.4%) and North America (2.4%), there was a larger growth rate for the major economies, for the EU, the investment flows doubled. According to 2010 Statistical Bulletin of China Outward Foreign Direct Investment, China outward FDI net flows (outflows) to EU in 2010 reached US $5,963 billion, increasing by 101% compared to 2009, accounting for 8.7% of total. By the end of 2010, more than 1,600 domestic investing entities spread in EU countries with the stock of US $12,497 billion and 3.77 million local employees.

From the perspective of investment industry distribution, in the first half of 2011, the non-financial sector FDI ranging from business services, wholesale and retail trade, mining, manufacturing, transportation, construction, electricity, gas and water production and real estate and many other fields. In which business services, wholesale and retail trade and mining industry are the main FDI industry, accounting for 29%, 25% and 20% respectively.

As the matter of fact, state-owned enterprises still keep dominant in FDI, but decline in the proportion, meanwhile, FDI made by private enterprises and other joint-stock companies would grow rapidly. 2010 Statistical Bulletin of China Outward Foreign Direct Investment showed that, state-owned enterprises accounted for 66.2% of FDI stock in China by the end of 2010, decreasing 3% compared to the previous year.

From the investment perspective, According to 2010 Statistical Bulletin of China Outward Foreign Direct Investment, the proportion of mergers and acquisitions accounted for more than 40%, the re-investment proportion also increased much. From 2008 to 2010, state-owned enterprises took 38 projects of mergers and acquisitions in Europe, amounted to US $32.4

Table 1. China outward FDI flows and stock (billions of US dollars)

<table>
<thead>
<tr>
<th>Years</th>
<th>Flows</th>
<th>stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>27.0</td>
<td>299.0</td>
</tr>
<tr>
<td>2003</td>
<td>28.5</td>
<td>332.0</td>
</tr>
<tr>
<td>2004</td>
<td>55.0</td>
<td>448.0</td>
</tr>
<tr>
<td>2005</td>
<td>122.6</td>
<td>572.0</td>
</tr>
<tr>
<td>2006</td>
<td>211.6</td>
<td>906.3</td>
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<td>2007</td>
<td>265.1</td>
<td>1178.1</td>
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<td>2008</td>
<td>559.1</td>
<td>1839.7</td>
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<tr>
<td>2009</td>
<td>565.3</td>
<td>2457.5</td>
</tr>
<tr>
<td>2010</td>
<td>688.1</td>
<td>3172.1</td>
</tr>
</tbody>
</table>

Source: 2010 Statistical Bulletin of China Outward Foreign Direct Investment
Note: data 2002-2005 for non-financial industry, 2006-2010 for the whole industry
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