



BRI Pulse

USA – China GCC

China... Faster... Still

Overview

This is a short piece on FDI which highlights one small component of the economic battle being fought between USA and China.

Macro – USA/Allies Drive a Gap

USA/Allies (2018-2021)

- The effects of Trump's trade war designed the slow the Chinese economy were more than offset by China's 2018-2020 rapid opening up, attracting capital from around the world
- China Inbound FDI leapt from a reasonably flat \$130 billion/year in 2018 to circa \$180 billion/year in 2020 (Morgan Stanley's stated target)
- So...USA +allies took further measures to tighten capital inflows in 2022
- China's FDI actually turned negative in Q3 2023 – the 1st such quarter for decades

USA/Allies 2022-2023 – Blocking USA IPOs; Severely Limiting USA PE/VC China Inbound

- August 2022 – Chinese companies began delisting from NYSE (auditing process)
- December 2022 – timeline for Chinese companies delisting sped up – the last 2 Chinese firms delisted their US ADRs in January 2023
- 2022 – China sees huge decline in US PE investments for full year
- Feb 2023 – Trump's list of banned Chinese company stock investments increase by Biden to 59 companies (not JVs)
- H1 2023 – China raised only \$1.4 billion in China based PE funds
- August 2023 – Biden signs Executive Order banning US investment into Chinese Technology severely limiting PE and VC firms' new investments into China
- October 2023 – Q3 saw investments by US PE and VC funds virtually dry up

China/GCC to Fill the Gap

China-Saudi Agreements Signed

In December 2022 – Saudi and China signed 34 investment agreements with face amount of circa \$30 billion. These agreements spanned of green energy, green hydrogen, photovoltaic energy, information technology, cloud services, transportation, logistics, medical industries, housing and construction factories.

China Inbound

By October 2023, total disclosed amounts of announced end inbound investments from GCC into China during 2023 was \$16.1 billion (face amount of \$25+ billion)

- Tech (9) \$8.0 billion (key growth capital into Chinese growth companies – in difficult VC markets; typically at in Series C+ rounds)
- Petrochemicals (3) \$7.8 billion
- Lifesciences (1) \$300 million

Inbound GCC announced with No Financial Amounts Disclosed(s)

- 3 Green energy
- 2 Investments/Finance
- 1 each in Digital, logistics and tourism

The \$1 trillion pool of capital for investment by GCC currently is expected to double by 2030.

China Outbound into GCC

Announced Amounts

By October 2023, total disclosed amounts of announced of outbound investments (mainland + GBA) into GCC was \$5.1 billion

There were 11 announced investments with amounts disclosed:

- Petrochemicals (2) \$1.92 billion
- Manufacturing (5) \$1.64 billion
- Construction (1) \$970 million
- Tourism (1) \$266 million
- Satellites (1) \$200 million
- Finance (1) \$100 million

Amounts not disclosed (8)

- 2 Manufacturing
- 2 Green energy
- 1 each in BCP, digital (Smart Cities), cloud
- 1 Finance

BRI Pulse

USA – China GCC

China... Faster... Still

APPENDICES

Inbound

Amounts Disclosed

- 24/10 – Mubadala (Abu Dhabi) pledged \$300 million to support CBC (Singapore) Healthcare Infrastructure Platform's Chinese life science undertaking.
- 12/09 – ADIA purchased 156.7 million shares of Shandong Fengxiang Co Ltd (HKEX) via its subsidiary at HK\$1.51 (19 cents)/ share for 9.9% stake
- 07/09 – ADNOC Gas announced a \$450 million (AED1.65 billion) and \$550 million (AED2 billion) agreement to supply LNG to a subsidiary of PetroChina
- Q2 – ADIA became a new major shareholder of 10 A-share companies, including Zijin (gold) Mining Group Co Ltd, while KIA bought shares of 11 A-share companies
- 24/06 – CYVN (Abu Dhabi Govt) agreed to invest \$1 billion in Nio (NEV)
- 24/06 – Ministry of Investment (KSA) signed \$5.6 billion JV with Human Horizons
- 20/05 – Mubadala (UAE) led a \$2 billion round for Shein, a global e-commerce company
- 20/04 – Mubadala (UAE) co-led a \$315 million round for Hasten Biopharma
- 27/03 – Aramco agreed to acquire 10% stake in Rongsheng Petrochemical for \$3.6 billion
- 27/03 – Aramco and JV partners NORINCO Group and Panjin Xincheng Industrial Group signed an agreement to build an oil refinery and petrochemical plant in northeast China for \$12.2 billion (\$3.7 billion inbound)
- 22/03 – Mubadala (UAE) co-led a \$300 million round for JD Industrials (JD.com)
- 15/03 – G42 (UAE) \$100 million investment into ByteDance, valuing Tiktok at \$220 billion
- 13/03 – QIA (and RTW) co-led a \$45 million Series B-1 issue for Oricell Therapeutics Company Limited (China)
- 17/02 – PIF (KSA) acquired a \$265 million (majority) stake in Chinese e-sports company VSPO which is backed by Tencent (PIF's 3rd such Asian tech stake in past 12 months)

No Financial Amounts

- 14/09 – Dubai's Department of Economy and Tourism (DET) and Hong Kong's Financial Services and the Treasury Bureau signed an MOU at the two-day Belt and Road Summit held in Hong Kong
- 13/09 – ACWA Power (KSA), energy transition and green hydrogen leader, signed MoUs with China Southern Power Grid and MingYang Smart Energy Group
- 08/09 – Mubadala(UAE) began operations in Beijing, focussed on Asia investments
- 10/08 – ENOC Group (UAE) announced the expansion of its jet fuel network to 14 Chinese airports (300 worldwide)
- 07/08 – The Hong Kong Monetary Authority (HKMA) and the Saudi Central Bank (SAMA) signed a MoU to advance fintech innovation in their respective jurisdictions
- 14/05 – DP World (UAE) signed agreements with China's Ningbo-Zhoushan port and Zhejiang Seaport, to cooperate on automobile industry chain services and logistics
- 09/05 – ACWA Power (KSA) signed strategic cooperation with POWERCHINA
- 10/02 – Sharjah, Hong Kong signs strategic investment partnership pact to expanding bilateral business ties; CEO of the Sharjah FDI Office (Invest in Sharjah), and Executive Director of Hong Kong Trade Development Council (HKTDC), signed the MoU

Outbound

Amounts Disclosed

- 26/10 – Hong Kong Aerospace Technology Group (HKATG) signed an agreement with MoI (KSA) to develop satellites; it will invest an initial amount of \$200 million in the project; the Hong Kong firm is the first company to operate in the aerospace sector in Saudi
- 19/10 – Knowledge Economic City (KEC-KSA) awarded contracts totalling \$970 million to China Gezhouba for two major projects: the Al Alya mixed-use development and the initial phase of the Islamic World District (IWD)
- 30/06 – ACWA Power (KSA) signed a \$100 million revolving credit facility (RCF) agreement with China Construction Bank (DIFC Branch)
- 13/06 – Zhonghuan International Group (Hong Kong) and the AMR ALUwlaa Company agreed a \$533 million deal to set up an iron ore processing plant in Saudi Arabia
- 13/06 – \$500 million cooperation agreement between ASK Group (KSA) and the China National Geological & Mining Corp. for the development, financing, construction and operation of an Arabian Shield copper mining project
- 13/06 – Mabani Al-Safwah (Saudi construction) and two Chinese contractors, China Gezhouba Group and Top International Engineering (Shaanxi) signed a \$266 million framework agreement to carry out advanced building construction in Saudi Arabia
- 13/06 – \$266 million deal was signed by MISA with Android developer Hibobi Technology (Hong Kong) Limited to develop tourism and other apps
- 13/06 – Sabatco (Saudi railway company) and CRRC signed a \$250 million deal to manufacture rail wagons and wheels in Saudi Arabia
- 13/06 – \$150 million deal between MISA and Chinese industrial manufacturer Sunda to manufacture caustic soda, chlorine and derivatives, chlorinated paraffin, calcium chloride, poly vinyl chloride (PVC), and related conversion products in the Kingdom
- 06/06 – China Petroleum Engineering and Construction (CPECC) won a contract from Adnoc Onshore resulting in increasing production by 20%, including a \$489 million investment
- 13/04 – Sinopec and QatarEnergy signed an agreement where Sinopec would buy a 5% stake for \$1.43 billion to increase capacity in North Field East project in Qatar

No Financial Amounts

- 18/10 – ACWA Power, the world's largest private water desalination company, signed seven cooperation agreements with Chinese firms during the third Belt and Road Forum in Beijing, for solar, green hydrogen and water desalination projects, with entities including State Power Investment Corporation, Bank of China; Power China Group; power and infrastructure solutions provider Energy China Group and Jinko Solar
- 27/09 – Unity Group (Hong Kong) signs MoU with UAE firm on green tech Tie-up with Lead International Investment will see Unity optimising energy efficiency in 700 commercial and residential buildings in Abu Dhabi
- 05/09 – Huawei Technologies inaugurated a cloud data center in Riyadh, its 30th cloud data center
- 23/08 – Eleven Hong Kong companies, including 8 located at the HKSTP, have signed agreements with eWTP Capital Arabia, a Riyadh-based VC firm that specialises in investing in emerging digital economies, to explore opportunities to enter the Saudi market
- 12/06 – King Abdulaziz City for Science and Technology (KACST) signed a MoU with China Electric Power Equipment and Technology Company and Beijing GL-Microelectronics Technology to establish a centre for designing and manufacturing microchips
- 12/06 – CSCEC signed a contract for the construction of a factory for large steel structures to be funded by PIF, built in Rihayd with expected to have a capacity of 800,000 t/y
- 17/05 – Emirates Nuclear Energy Corporation (EMEC) has signed three agreements with China National Nuclear Corporation and its subsidiaries; the first two in co-operation in the field of high temperature gas-cooled reactors, the 3rd in nuclear fuel supply and investment
- 06/02 – The Saudi Tadawul Group, which operates the stock exchange in Saudi Arabia, has signed an MoU with HKEX, to cooperate in a number of areas including fintech, ESG and cross listings as well as "a number of other areas of interest to both exchanges"