Global Capital Supply and Sustainable Urbanization: Investment-led Development Financing

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1. Financing Sustainable Urbanization

- More sources and effective forms of development financing
  
a. Is global capital supply sufficient?
a. Global capital supply not sufficient for development financing

- Global Capital Investment 2001-2016

- World Foreign Direct Investment Outwards Stock (UNCTAD)
- World Total Portfolio Investment Assets (IMF CPIS)
a. Global capital supply not sufficient for development financing

- World Foreign Direct Investment Inwards Flows: Source: UNCTAD
a. Global capital supply not sufficient for development financing

- Investment gap
- foreign direct investment and development financing disconnected
1. Financing Sustainable Urbanization

- More sources and effective forms of development financing
  
a. Is global capital supply sufficient?
  
b. How much we need for investment on infrastructure/development projects
b. Greater need for investment on infrastructure/development projects

- OECD 2006 report: between 2005 and 2030, global infrastructure need for investment will be between US$53-71 trillion, about 2.5 trillion each year

- ADB 2017 report: capital investment in infrastructure in the 45 developing economies in Asia will need 26 trillion for the next 15 years, between 2015-2030, with 1.7 trillion each year
1. Financing Sustainable Urbanization

- More sources and effective forms of development financing
  - a. Is global capital supply sufficient?
  - b. How much we need for investment on infrastructure/development projects
  - c. Need new sources and more effective forms of financing for development/infrastructure projects
c. Need new sources and more effective forms of financing for development projects

- Private sector: guide FDI to infrastructure projects
- Public sector: PPP to build the connection
2. Investment-led development financing

a. China emerges as a major source of global capital supply

- China as the world’s second largest provider of FDI since 2015, and this stands at US$ 188 billion in 2016 (UNCTAD)
- China commits a total US$114 billion to support B&R projects in May 2017

China Foreign Direct Investment Outwards (Source: UNCTAD)
2. Investment-led development financing

a. China emerges as one major source of global capital supply

b. Much of this is in the form of Chinese enterprise' direct investment on development/infrastructure projects
b. Structure of Chinese capital in global investment

- MOFCOM 2017 report: of the total Chinese FDI outwards flows
  - 83.3% is in non-financial sectors,
  - 70% goes to developing economies
  - Chinese enterprises overseas assets is US$4.4 trillion at 2016
  - contracted infrastructure projects valued at US$ 1.1 trillion
2. Investment-led development financing

a. China emerges as one major source of global capital supply

b. Much of this is in the form of Chinese enterprise' direct investment in development project

c. How Chinese enterprises connect FDI to development/infrastructure projects
c. Chinese enterprise overseas and Investment-led development financing

- Cases of Chinese enterprises foreign direct investment
  - The China-Pakistan Economic Corridor (CPEC)
  - China-Egypt Economic and Trade Cooperation on Egypt TEDA Special Economic Zone Development Company (SETC)
  - AVIC on AVIC Energy Cambodia
  - Haier on Fisher & Paykel, NZ
  - Alibaba on PayTM, India
c. Chinese enterprise overseas and investment-led development financing

- Shift in the mode of operation of Chinese enterprises on development/infrastructure projects
  - From ODF-based development financing to investment-led development financing
  - Chinese enterprises as contractor to the project under the conventional development financing model
  - Chinese enterprises as operator, manager, organizer, and stakeholder of the project under the investment-led development financing
c. Chinese enterprise overseas and investment-led development financing

- Shift in the mode of operation of Chinese enterprises on development/infrastructure projects
  - There is a PPP model working on the Chinese side where private and public capital are organized to finance Chinese enterprise's international operations.
  - There is also an element of the conventional development financing model where intergovernmental partnership between China and project country provides a political and legal framework for Chinese enterprises to operate in the international institutional environment.
3. A sustainable source and effective form of financing for sustainable urbanization?

- Chinese enterprises’ foreign direct investment: broader “infrastructure” projects
- Chinese enterprises bring FDI and development financing together and facilitate sustainable flow of large scale investment in infrastructure/development projects.
- Challenges in working with established international regimes of foreign direct investment and development financing, as well as with the national institutional framework and political economic interests of the project country