

**International Economics**Wei DU,  
Ihor LISHCHYNSKYI**CHINA'S OUTWARD FOREIGN  
DIRECT INVESTMENT  
IN THE AGRICULTURAL SECTOR:  
TRENDS AND PROSPECTS****Abstract**

China leads the world in the volume of outward foreign direct investment (FDI) in agriculture. This status is the result of long-term policies, including the agricultural «going out» strategy and the «Belt and Road» initiative. Despite this leadership, the overall volume of both total FDI and agricultural FDI has been declining in recent years. This paper aims to analyse the structure and trends of Chinese outward FDI in agriculture, given the limited availability of statistical data. The results show that the total volume of China's agricultural FDI exceeded \$106.98 billion (7.4% of China's total outward FDIs) in the period from 2005 to 2023. Despite fluctuations in investment volume, there has been a growth trend, with a peak in 2017 marked by significant transactions such as the acquisition of Syngenta. Developed countries are the primary recipients of Chinese FDI in agriculture, while developing countries dominate Chinese construction projects. The list of both investors and builders includes predominantly state-owned enter-

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prises. In summary, the trajectory of Chinese outward foreign direct investment in agriculture presents a compelling narrative of strategic global engagement and economic expansion.

### **Key Words:**

agriculture, foreign direct investment, China, construction.

**JEL:** F21, Q17.

9 figures, 1 table, 13 references.

### **Problem Statement and Literature Review**

Since China's accession to the WTO, its agriculture has faced significant challenges due to the gradual reduction of agricultural protection policies and the opening up of the international agricultural market. Consequently, Chinese agriculture has been strongly impacted by international agricultural giants. It is imperative for China's agricultural sector to proactively explore foreign markets and leverage «two markets and two resources» to enhance its international competitiveness. Supported by relevant national policies, especially since the inception of China's agricultural «going out» strategy in 2006, the number of enterprises engaged in overseas agricultural investments has exhibited a trend of slow initial growth followed by rapid expansion.

According to statistics from the Ministry of Commerce, between 2004 and December 2019, a total of 3,687 Chinese agricultural overseas investment and establishment enterprises were approved for registration. Of these, 1,144 were approved during the «13th Five-Year Plan» period, accounting for 31.03% of the total. This growth can be primarily attributed to the implementation of the national agriculture «going out» strategy and supportive policies. Particularly notable is the acceleration of Chinese enterprises' global expansion since the proposal of the «Belt and Road» strategy in 2013. Over the five-year period from 2014 to 2019

alone, the number of enterprises approved and registered for overseas agricultural investment reached 2,869 (Du & Lishchynskyy, 2023).

However, since 2019, there has been a consistent decline in Chinese overseas investment volumes, including in agriculture. While China has played a significant role in global foreign investment in recent years, the landscape is expected to undergo a shift in the foreseeable future, primarily due to two key factors. Firstly, developed countries have increased scrutiny of Chinese investments in strategic sectors, citing concerns regarding national security and economic interests. Secondly, China's reluctance to reciprocate by allowing foreign investors access its domestic market exacerbates these challenges. As these pressures intensify, they are likely to reshape China's role in global foreign investment, with geopolitical tensions and economic considerations contributing to a continued decline in Chinese foreign investment.

**The goal of this article** is to analyse the structure and trends of Chinese outward foreign direct investments in agriculture, taking into account the constraints posed by the limited availability of statistical data.

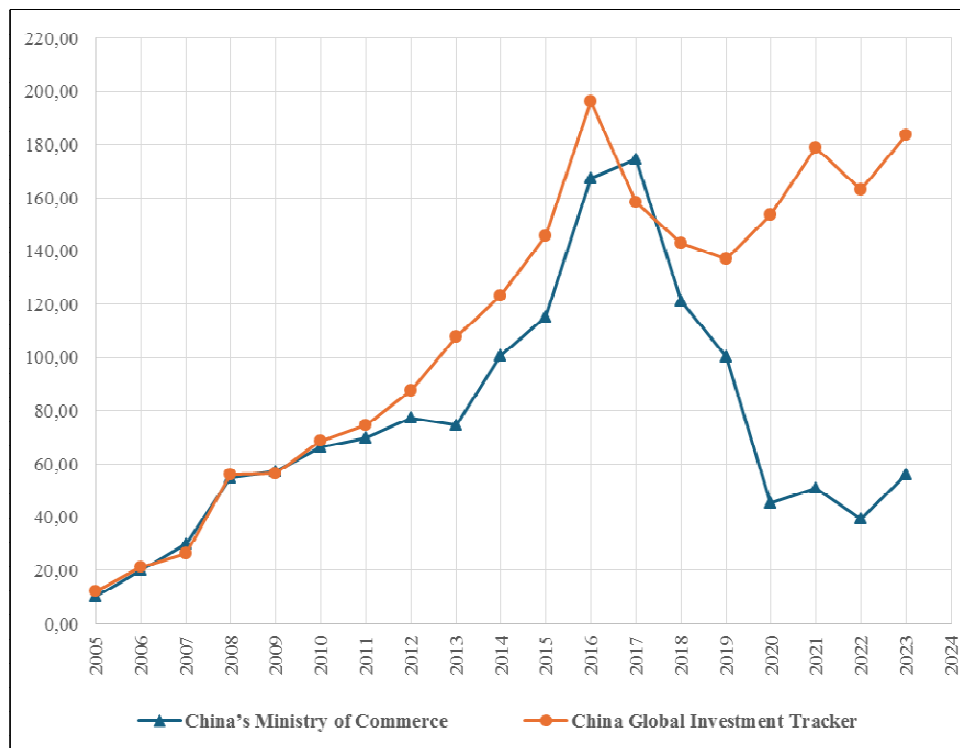
The aspects of outward FDI in agriculture are primarily documented in reports from Food and Agriculture Organization (FAO), the IMF, national Ministries of Commerce, and other related institutions. The issues dedicated to China's role in FDI flows to agriculture are highlighted in the works of Gehringer (2024), Gooch and Gale (2018), Jiang et al. (2019), Megbowon et al. (2019), Pasaribu et al. (2021), Scizzors (2023; 2024), Sun et al. (2023), and others. However, it is important to note that the post-Covid dynamics have not yet been considered.

## Research Results

Chinese investors have significantly impacted the global stage in the past three decades through their pursuit of natural resources, technology, and internationally recognized brands. According to the China Global Investment Tracker, the total value of Chinese overseas acquisitions between 2005 and 2023 exceeded \$2.4 trillion. The most remarkable period was witnessed in 2016 and 2017, when Chinese outward foreign direct investment (FDI) peaked. However, experts from the Flossbach von Storch Research Institute suggest that a new phase has commenced, characterized by a retreat in outward FDI from China (Gehringer, 2024).

Nevertheless, there is a notable disparity between the official figures provided by China's Ministry of Commerce (MOFCOM) and the data presented by the China Global Investment Tracker (CGIT) (Figure 1). It is essential to acknowledge that while CGIT offers the most comprehensive public record of China's investments, it excludes transactions below \$95 million, potentially missing significant portions of investment if the average transaction size is lower.

Figure 1

**Comparison of Chinese outward investment data: Chinese Ministry of Commerce vs. China Global Investment Tracker, 2005-2023 (\$ billion)**

Source: created by the authors using data from China Global Investment Tracker (2024) and Chinese Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange (2023).

Conversely, MOFCOM contends that a significant portion of FDI flowed into Hong Kong, followed by offshore financial centres such as the British Virgin Islands, which complicates the analysis of capital flows.

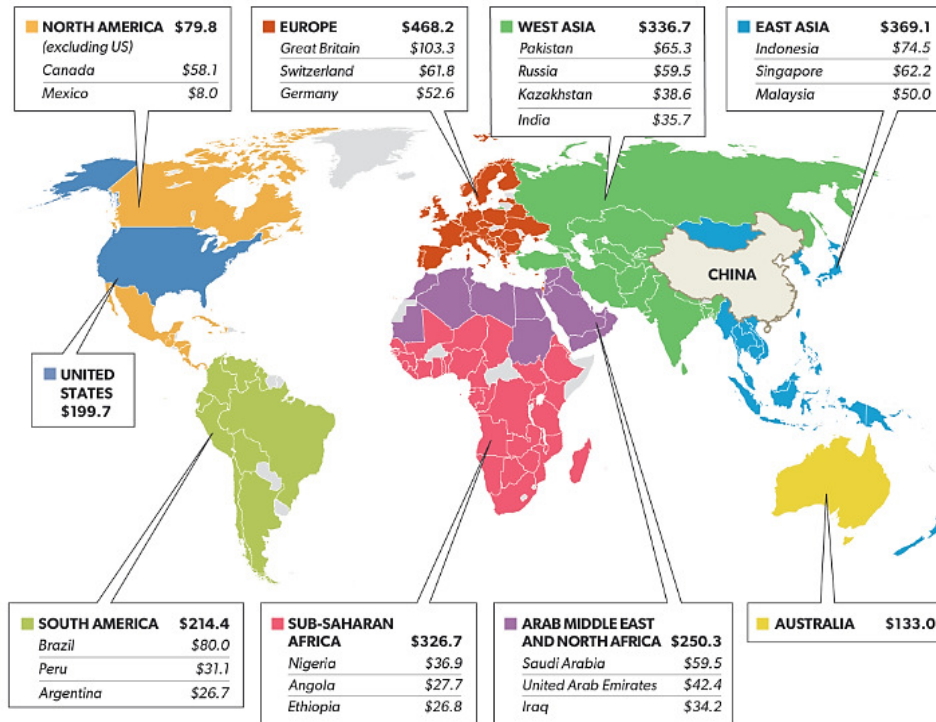
No single world region dominates China's outward foreign direct investment (FDI) preference list (Figure 2). From 2005 to 2023, the largest recipients of Chinese foreign investment were countries in Europe (21.4%), East Asia (16.9%), and West Asia (15.4%). These were closely followed by Sub-Saharan Africa (14.9%), North America (12.8%), Arab Middle East & North Africa (11.5%), and

South America (13.1%). However, the relative importance of these regions has fluctuated significantly over the years (Gehring, 2024).

Moreover, there is evidence suggesting that, prior to the Covid-19 pandemic, Chinese foreign investors periodically shifted their focus among regions in pursuit of natural resources and commodities (Scissors, 2023). This regional diversification strategy may provide China and its omnipresent Communist Party of China (CPC) with reassurance that its supply chains are less vulnerable to disruptions.

Figure 2

**The combined value of China's outward investment and construction, 2005-2023 (\$ billion)**

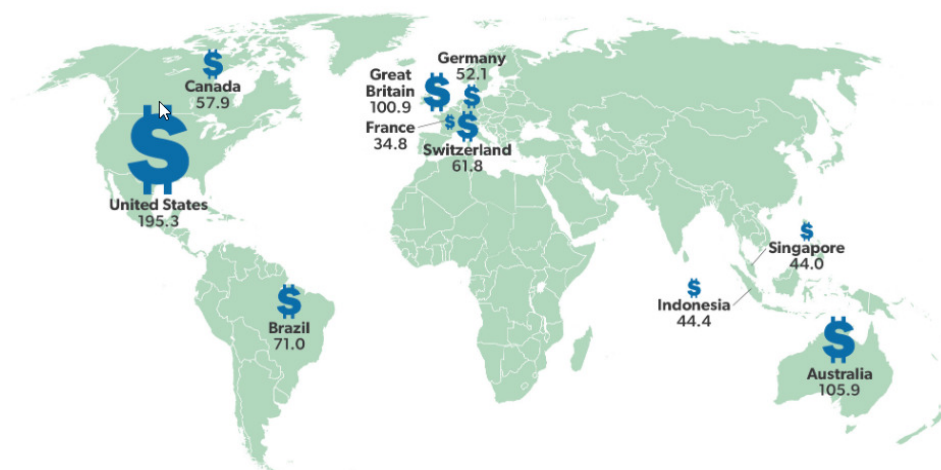


Source: Scissors (2024).

Among the top ten countries receiving China's outward FDI since 2005, the first three positions are held by developed economies (Figure 3). The United States retains its leading position, with a cumulative amount of \$195 billion, followed by Australia (\$105 billion) and the United Kingdom (\$100.9 billion). Indonesia's presence among the top recipients is primarily due to the availability of minerals crucial for alternative energy sources and the manufacturing of electric vehicles. Switzerland, on the other hand, maintains its prominent position largely due to the mega-deal involving Syngenta in 2017. In contrast, the remaining countries in the top ten underperform both in terms of transaction volume and number (Scizzors, 2024).

Figure 3

**Top-10 recipients of Chinese FDI, 2005-2023 (\$ billion)**

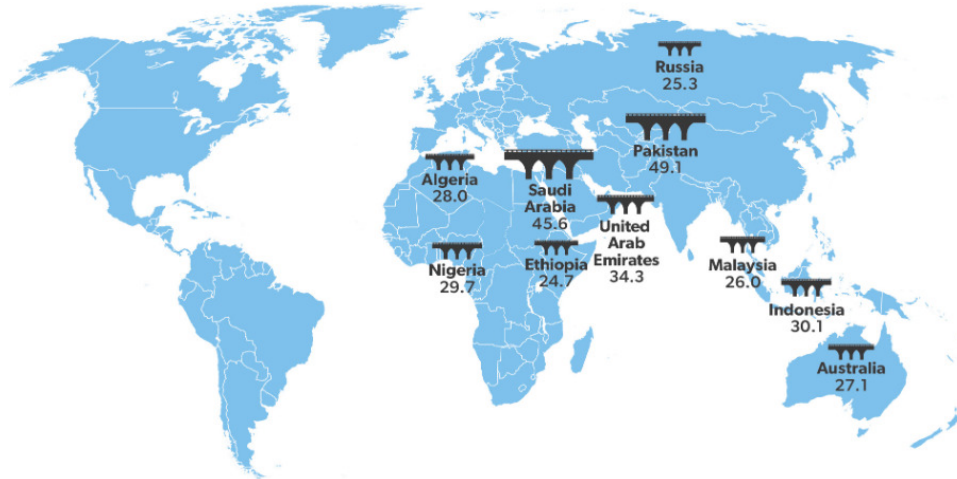


Source: Scizzors (2024).

All major locations of People's Republic of China (PRC) construction have entered into Belt and Road Initiative (BRI) cooperation agreements (Figure 4). Utilizing the complete set of countries, the BRI construction volume is approximately 35 percent larger than investment, marking a reversal in their global relationship. There are frequent concerns that Beijing is leveraging local stress to acquire key assets. While this is a possibility, historical data indicates that China is primarily focused on building rather than outright buying.

Figure 4

Top-10 recipients of Chinese construction funding, 2005-2023 (\$ billion)

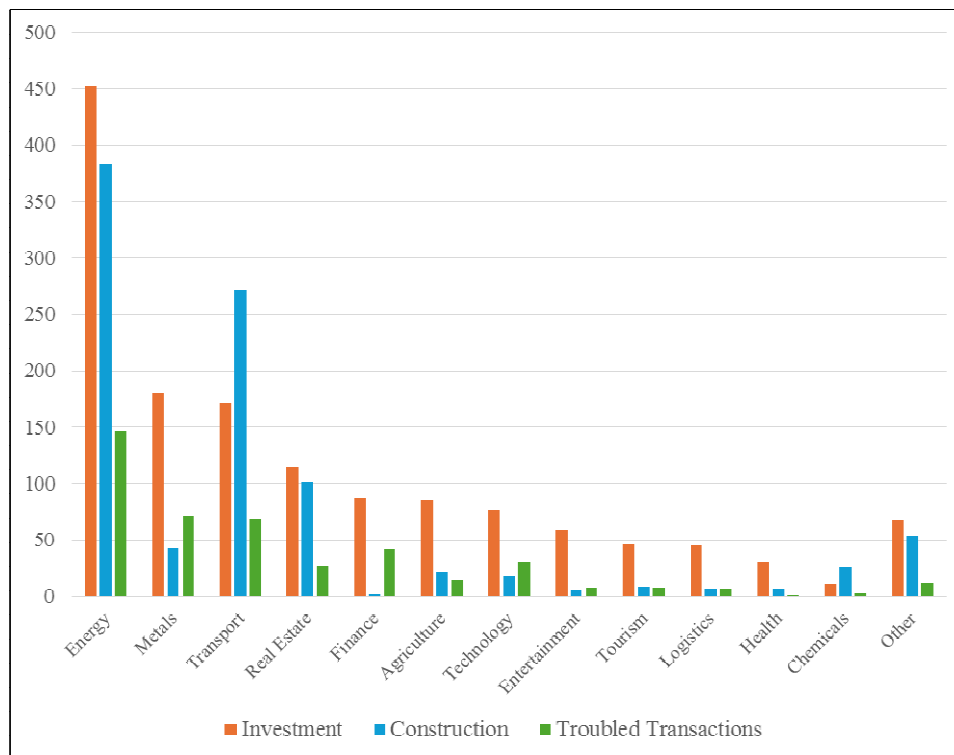


Source: Scissors (2024).

Construction activities are predominantly carried out by state-owned enterprises, such as State Construction Engineering. According to the CGIT, among China's top 25 overseas builders, 24 are state-owned enterprises. Conversely, among the largest 75 investors, there is a greater presence of private entities. For decades, these state-owned firms have operated domestically under challenging conditions, often involving large-scale mandatory projects. They are accustomed to enduring significant financial and logistical setbacks in poorer countries to fulfill political objectives. When the United States, the European Union, or other entities are mentioned as competitors to China in public infrastructure projects, this implies they must be willing to accept financial losses in order to compete.

The industry exhibits clear concentration (Figure 5). Energy, predominantly driven by oil, accounts for 31 percent of investment. However, the exclusion of purchases below \$95 million means that property investment appears significantly lower than it would be if individual home purchases could be accurately counted. Prior to the pandemic, several lower-ranked sectors experienced bursts of spending, which were subsequently followed by restrictions imposed either by host countries or by the People's Republic of China (PRC).

Figure 5

**Sector pattern of China's outward investment and construction, 2005-2023 (\$ billion)**

Source: created by the authors using data from China Global Investment Tracker (2024).

Within the energy sector, construction is also dominated by energy projects, with transport closely following suit. In energy construction specifically, hydropower has surpassed coal. Within the transport sector, rail and automobiles continue to vie for the top position, with automobile investment significantly outweighing rail investment and shipping lagging behind.

In summary, China's outward investment and construction activities in 2023 mirrored its domestic economic conditions. While there were some improvements compared to 2022, the performance fell short of initial expectations. The global landscape has undergone significant changes since the onset of COVID-19, pos-

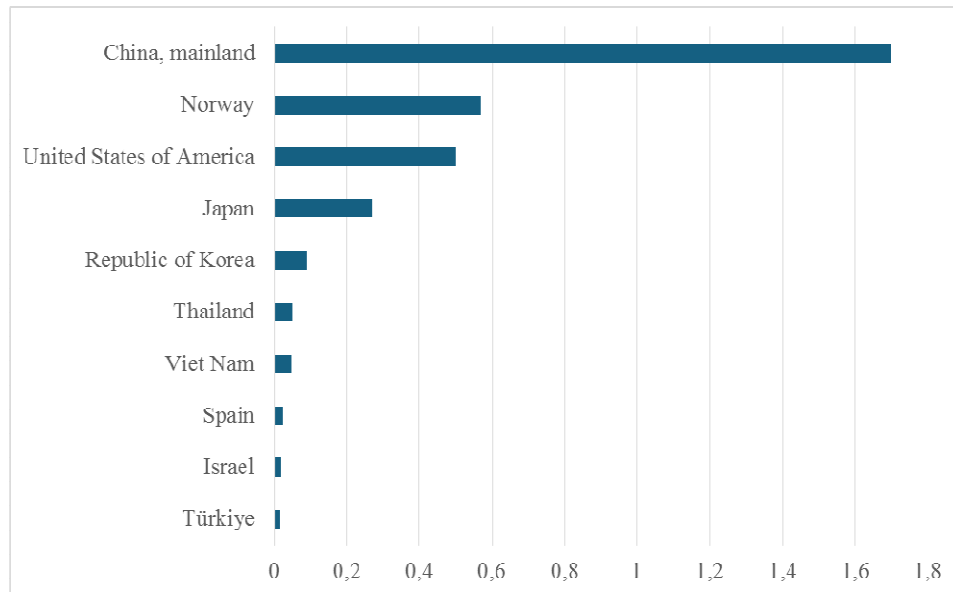


ing challenges for China in restoring overseas investment and construction levels comparable to those seen in the mid-2010s.

Based on the FAO report of 2023, China is the primary source of foreign direct investment outflows in agriculture, encompassing crop farming, farm machinery, inputs, food processing, and logistics between 2013 and 2022. The country averaged \$1.71 billion annually during this period, a figure that surpassed that of any other nation by at least threefold. Notably, Chinese investment in agriculture overseas witnessed a surge, with over 1,300 Chinese enterprises venturing into more than 100 countries by 2016, facilitated by financial backing from state banks (Gooch & Gale, 2018). Norway followed as the second-largest contributor to FDI outflows in agriculture, averaging \$567 million per year, despite a disinvestment of USD -\$1.13 billion in 2021. The United States of America ranked third in this regard, with an average yearly contribution of \$496 million during the same time-frame (Figure 6).

Figure 6

**Top annual FDI donors in agriculture, 2018-2022 (\$ billion in 2015 prices)**

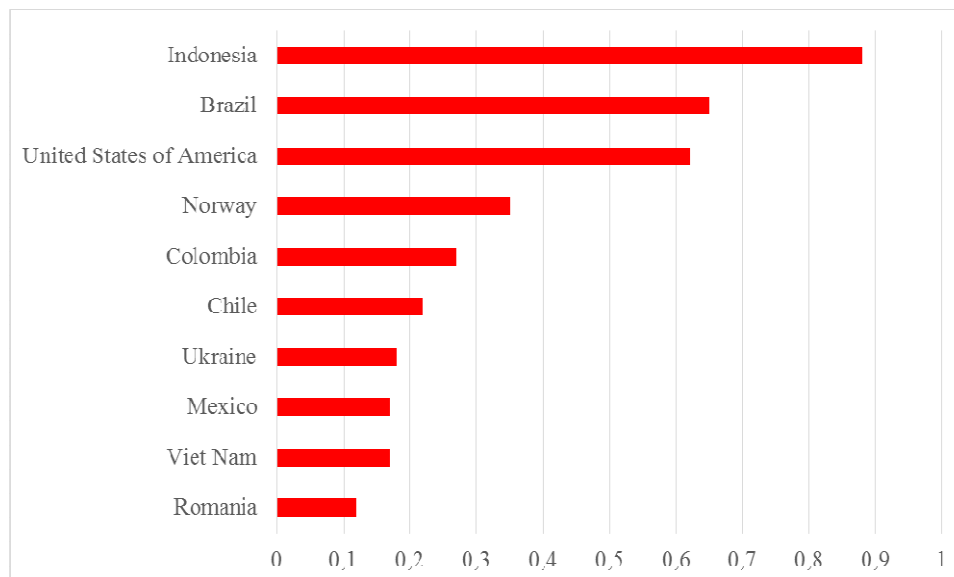


Source: FAO (2023).

On the recipient end, Indonesia emerged as the primary beneficiary of FDI inflows in agriculture from 2018 to 2022, averaging \$888 million annually (Figure 7). However, this average conceals substantial inflows in 2018–2019, ranging from \$1.7 billion to \$3 billion, followed by negative inflows in subsequent years due to multinational enterprise disinvestments. The Indonesian government responded by easing FDI regulations, allowing foreign entities to hold larger stakes in domestic enterprises. For instance, in the palm oil production sector, foreign entities are permitted to own up to 95 percent of local companies (OECD, 2020; Pasaribu et al., 2021).

Figure 7

**Top annual FDI recipients in agriculture, 2018–2022 (\$ billion in 2015 prices)**



Source: FAO (2023).

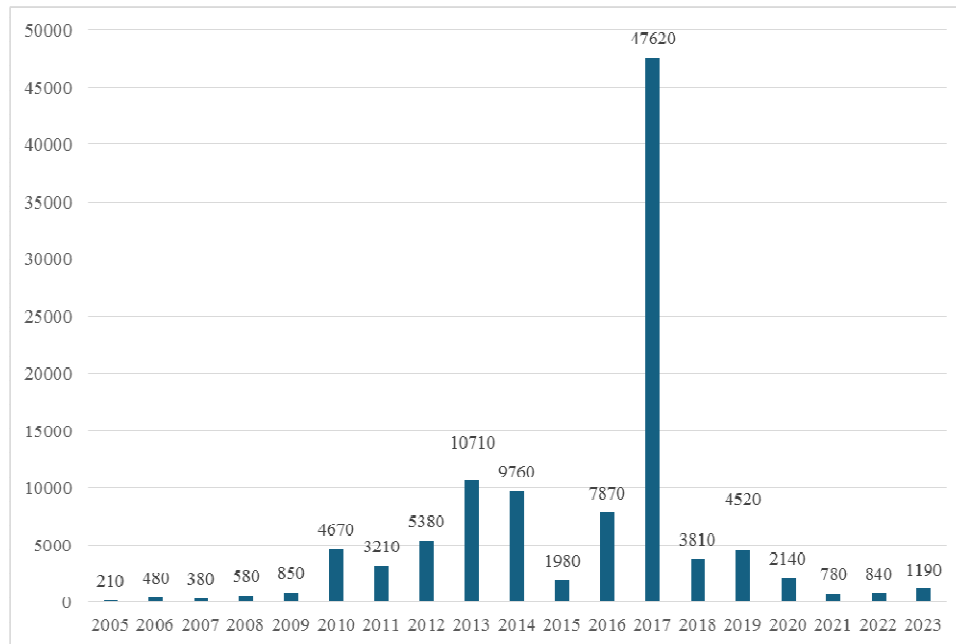
Brazil emerged as the second-largest recipient, with an average yearly FDI inflow of \$635 million, closely followed by the United States of America with \$621 million. Brazil's status as one of the world's primary agricultural producers has made agribusiness a key driver of its national economy and economic expansion (Corcioli et al., 2022).

As previously mentioned, agrarian outward FDIs are of rather high priority for the national economy, although their volume has been decreasing over the last few years. The dynamics of China's outward investment and construction, based on the data from the China Global Investment Tracker (CGIT), are depicted in Figure 8. It is worth noting again that CGIT excludes transactions below \$95 million, so the provided statistics may not be complete.

The peak observed in 2017 is mainly attributed to the IPO of Syngenta, the world's largest producer of agricultural chemicals and seeds, based in Switzerland. ChemChina, a state-owned enterprise, purchased 98% of its shares, marking China's largest foreign acquisition ever.

Figure 8

**Volumes of China's outward investment and construction in agriculture, 2005-2023 (\$ billion)**



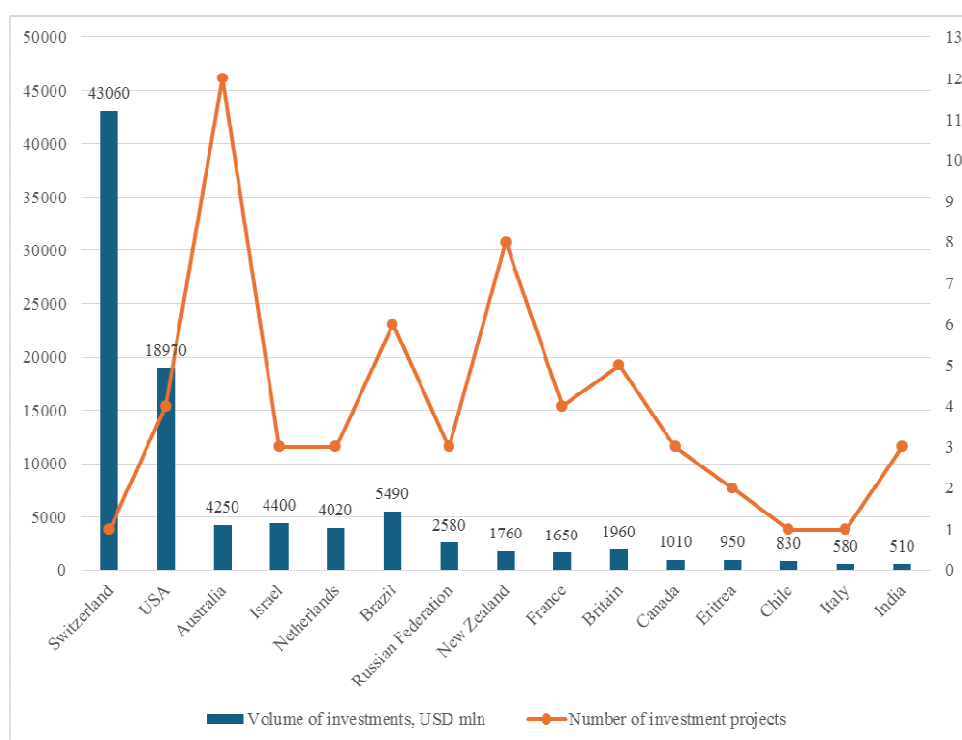
Source: created by the authors using data from China Global Investment Tracker (2024).

As a result of the aforementioned transaction, Switzerland has become the top recipient of China’s outward FDIs in agriculture. Other main recipients are primarily developed countries, as depicted in Figure 9. Overall, from 2005 to 2023, the total volume of China’s agricultural FDIs exceeded \$106.98 billion (7.4% of China’s total outward FDIs). During this period, CGIT has data on 150 transactions. The majority of these transactions are brownfield FDIs, although 21 projects are greenfield investments.

The Chinese outward construction projects in the field of agriculture are not so well-financed. In general, the total volume of construction has exceeded \$21 billion in 2005-2023, including 69 transactions with an average volume of \$315 million. Contrary to FDIs, Chinese construction projects in agriculture are mainly implemented in developing countries.

Figure 9

Main recipients of China’s outward FDIs in agriculture, 2005-2023



Source: created by the authors using data from China Global Investment Tracker (2024).

The main Chinese investors in foreign agriculture are listed in Table 1. The majority of these investors are state-owned companies. Most investors were involved in more than one investment project during the period of 2005-2023.

According to the industry classification of China's agricultural OFDI, planting, logging, animal husbandry, and breeding primarily refer to production and development investments in foreign countries, while other categories encompass comprehensive agricultural development covering more than two industries. Agriculture planting mainly involves rice planting and breeding, while forestry mainly focuses on logging and the cultivation of rubber trees.

*Table 1*

**Key Chinese investors in foreign agriculture, 2005-2023**

Investor	Volume, \$ million	Number of projects
China National Chemical (ChemChina)	50170	10
WH Group (formerly Shuanghui)	7580	3
China National Cereal, Oil and Foodstuffs (COFCO)	6360	10
China National Machinery Industry (Sinomach)	5370	22
Bright Foods	4210	5
China International Trust and Investment (CITIC)	3020	7
Legend	2480	3
China Investment Corporation (CIC)	2410	2
State Development and Investment Corp.	2130	5
China Communications Construction	1700	8
China North Industries (Norinco)	1500	1
Power Construction Corp. (PowerChina)	1080	3
State Construction Engineering	1020	4
Yili Industrial	1020	4
Sichuan Railway Investment	950	1
China Railway Construction	770	2
China Poly	730	3
Shanghai Zhongfu	730	1
Shanghai Pengxin	710	3
Xiwang Group, Primavera Capital	580	1
Chongqing Grain	570	1
China Resources	540	1
Alibaba	510	3
China Railway Engineering	500	2

Source: compiled by the authors using data from China Global Investment Tracker (2024).

## Conclusions

The trajectory of Chinese outward foreign direct investment in agriculture presents a compelling narrative of strategic global engagement and economic expansion. Over the years, China has demonstrated a significant commitment to investing in agricultural sectors abroad, aiming to secure food resources, enhance technological capabilities, and foster international cooperation. Launching of Belt and Road Initiative adds additional impulse to the process. However, the latest global and regional crises have caused a significant decline in the volumes of investment. Despite these fluctuations, China has emerged as a key player in global agricultural investment. Developed countries stand as its key recipients, reflecting the magnitude of China's investment undertakings and its strategic partnerships in the agricultural domain.

This study underscores the importance of understanding the drivers and implications of Chinese outward FDI in agriculture. By analyzing trends, recipient countries and investor profiles, policymakers and stakeholders can gain insights into the dynamics shaping agricultural investment flows and devise their strategies in order to maximize mutual benefits.

Looking ahead, as China continues to navigate global economic landscapes and pursue sustainable development goals, its outward FDI in agriculture is poised to evolve further. Embracing innovation, fostering collaboration, and promoting responsible investment practices will be essential in harnessing the full potential of Chinese agricultural investment on a global scale. Through concerted efforts and strategic partnerships, Chinese outward FDI in agriculture can contribute to the resilience and sustainability of the global food system.

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