EABER
East Asian Bureau of Economic Research

EABER Working Paper Series

Paper No. 133 October 2018

The story of Chinese direct investment in Australia (2014 – 2017)

Susan Travis,
The Australian National University

EABER Secretariat
Crawford School of Public Policy
ANU College of Asia and the Pacific
The Australian National University
Acton ACT 2601 Australia

The story of Chinese direct investment in Australia (2014–2017)

Susan Travis, East Asian Bureau of Economic Research

October 2018

Overview

The Chinese Investment in Australia (CHIIA) Database was created and is maintained by the East Asian Bureau of Economic Research (EABER) as part of the EABER China Outward Direct Investment (ODI) Project. The China ODI Project was founded 12 years ago in response to the emergence of Chinese ODI as a major element in direct investment to Australia. The China ODI Project has been undertaken as a series of three-year research projects coordinated by EABER. Partners have included Australian Government departments and agencies, their counterparts in China, private sector partners and academic colleagues from Australia, China and the United States.

CHIIA produces data on Chinese direct investment in Australia by ultimate beneficial control ('UBC'). Currently, CHIIA produces a transaction-level dataset on the equity component of that direct investment. An additional transaction-level dataset of 'follow-on' investment is being considered.

This paper presents a series of key statistics from the main equity dataset of the CHIIA Database. It broadly shows that realised equity investment in Australia rises from 2014 to 2016 and then tapers off.

While many of the statistics follow this broad trend, some do not. This suggests that the choices made by Chinese investors (and the other parties involved, including counterparts to transactions) are not all shaped by the same economic factors. This paper does not try to explain what these economic factors are or how they affect investors' decisions. However it does suggest how CHIIA data opens up questions about how Chinese investment is realised in Australia that probably have not been asked before. For example: Do listed state-owned investors invest more frequently in Australia than non-listed state-owned investors? Do Chinese investors based in China invest in different industry sectors compared to subsidiaries of Chinese firms already located in Australia? This paper also illustrates how the CHIIA data can help answer these questions. across the full range of transactions — not just the largest transactions.

This paper is comprised of four parts. Part A explains the foundational concepts that define CHIIA data. This aims to help the reader understand exactly what CHIIA data represents and how it compares with other sources of data on Chinese investment in Australia. Part B presents the main results from CHIIA data at an aggregate level. Part C looks at what CHIIA data tells us about who is undertaking and receiving this investment. Part D examines when investments are realised.

A. Concepts

How CHIIA compares with other sources of data on Chinese investment in Australia

CHIIA has produced four years of data, covering the calendar years 2014 to 2017 with data for 2018 under construction. A series of key statistics calculated from CHIIA data are presented here. These statistics provide an overview of CHIIA data at present and consider specific aspects of Chinese investment in Australia that have not been covered by other sources.

Many of these statistics present information that had previously not been assembled into an analytical framework. Some CHIIA data may look similar to those published previously. The crucial difference between those statistics and those in this prospectus is that CHIIA data are verifiable. That is, the data are publicly available at the transaction level. This means you can reproduce the statistics you see here and create many more.

There are also three key technical distinctions that set CHIIA apart from existing sources of data on Chinese direct investment in Australia.

1. **CHIIA defines the source of ultimate control or significant influence of an investment (that is, China) by 'who' the investor is, not where the funds last came from.**

   CHIIA defines the source of investment by 'ultimate origin'. This approach is shared with The American Enterprise Institute's China Global Investment Tracker series and The University of Sydney–KPMG series (which are in the same row of Chart 1), but not with the Australian Bureau of Statistics (ABS), which defines the source of investment funds by 'immediate origin'.

Chart 1: Technical distinctions

		Date of investment	
		Dated by **contracting**	Dated by **realisation**
Geographic source of investment	Source of investment by **immediate origin**	-	ABS
	Source of investment by **ultimate origin**	AEI China Global Investment Tracker University of Sydney–KPMG	CHIIA

   This distinction has one important implication. The data measures investment that is ultimately owned in China no matter what its geographic pathway to Australia.

2. **'Ultimate origin' means CHIIA looks past national boundaries.**
   Traditionally, foreign investment is 'foreign' if it crosses a border — no matter who is undertaking the investment. CHIIA does not require investment to cross a border. This means CHIIA records specific investment activity by Chinese subsidiaries in Australia, while national account/balance of payments FDI statistics may not.

3. **CHIIA defines transactions as occurring when the investment is realised, not when contracts are signed.**

   This approach is also shared by the ABS and CHIIA, as shown in Chart 1. The China Global Investment Tracker and the University of Sydney–KPMG instead record investments by date of contracting.

CHIIA is therefore the only source of data on Chinese investment in Australia, public or private, which defines investment by 'who' the investor is and when the identified investment is realised. These technical distinctions are important. The immediate source does not necessarily reflect ultimate ownership of investment. Announced investments may not be realised. CHIIA data is therefore materially different from other sources, providing a new perspective on Chinese investment in Australia.

Scope of the CHIIA Database

The previous section explained how CHIIA data differs in scope and concept from other sources of data on Chinese direct investment in Australia. This section will explain the scope of the CHIIA Database in more detail. The scope of CHIIA data is defined according to five requirements that need to be fulfilled for a transaction to be included in the database.

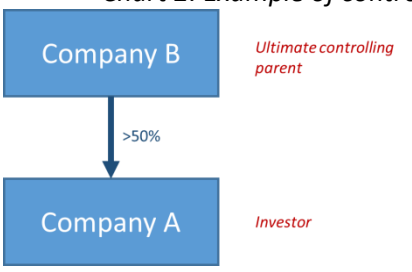
1. **The investment is Chinese.**

CHIIA defines investment by 'who' the investor is, not where the funds last came from. Furthermore, 'who' is defined by the person/s or government that ultimately controls or effectively controls the investmenting entity.

The investor can be a company based in Australia. If this company is wholly-owned by a Chinese national (or the Chinese government), then that company is deemed to be a Chinese investor for the purposes of the CHIIA Database. In this simple example, control is easy to infer — the investor owned 100 per cent of the company in question. In many cases though, it is not so simple.

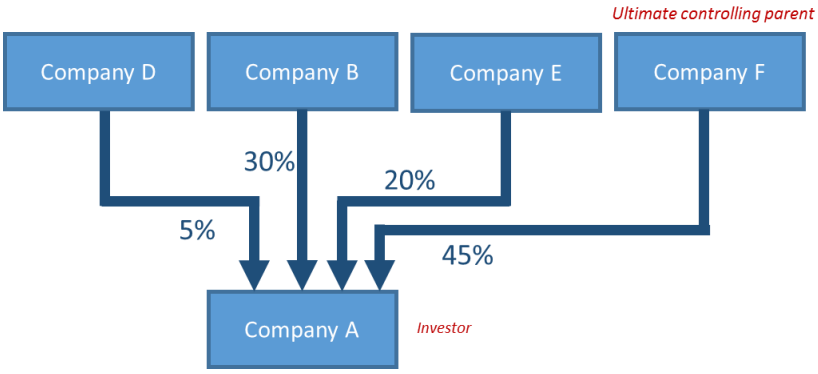
To ensure consistency across cases (and time) CHIIA has simple rules for defining whether control exists and determining if that control is Chinese. *Control* exists when the parent company owns more than 50 per cent of the normal voting stock ('equity') in the subsidiary, as shown in Chart 2. If there is more than one parent company, then this definition can still hold. However, if there is no parent company that owns a majority stake, then there is no controlling parent.

Chart 2: Example of control



If the definition of control cannot be applied, CHIIA applies the definition of effective control. A parent company *effectively controls* the subsidiary if it is the largest shareholder and its stake is at least 20 per cent, but only when there is no controlling parent, as shown in Chart 3. If there is no shareholder who owns at least 20 per cent, then there is no effectively controlling parent.

Chart 3: Example of effective control



If neither the control, nor effective control definitions hold, this is where the chain of control ends. The chain of control generally ends with a person, the shareholders of a joint stock company or a government (which cannot themselves be 'controlled' or 'effectively controlled'). If the ultimate shareholder(s) is Chinese, then the subsidiary investor, by ultimate control or effective control, is Chinese.

2. The investment is direct investment.

To qualify as *direct investment*, the investment must result in the investor holding at least 10 per cent in the Australian entity.

3. The investment counted is only the equity increase component of a direct investment.

Direct investment traditionally includes increases and decreases in equity via transactions and undistributed earnings and debt. CHIIA currently only records the *equity transactions component of direct investment*. If in a single investment, a Chinese investor has acquired both equity and debt in an Australian entity, then only the values (for example, transaction value and date) pertaining to the equity acquisition are recorded.

4. The entity is Australian.

The *entity* is the party that is being invested in. To be Australian, it must be located or legally registered in Australia. The entity itself must be a corporation[1] or quasi-corporation[2]. CHIIA records investments in all legal entities, but does not record the generation of value added, including purchases and sales of goods and services and the employment of labour and capital.

5. **The investment has been realised.**

CHIIA only records investments that have been *realised* and records them as occurring at this date. Realisation in this sense is also known of as the 'change in legal ownership' or the execution of a contract.

If all five requirements are fulfilled, then the investment is included in the CHIIA equity data.

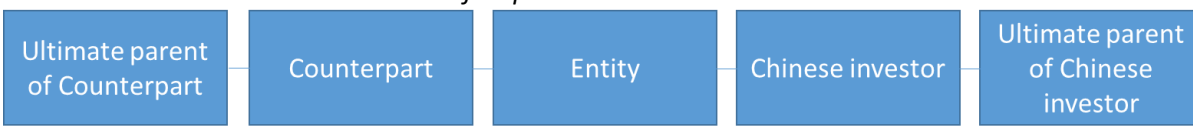
Characterisation of investments in CHIIA data

If a transaction meets the five conditions above, then CHIIA records that transaction. 'Recording' means that CHIIA summarises this transaction into a consistent line of data. This line of data has six sections:

- Transaction
- Entity
- Investor
- Ultimate parent of investor
- Counterpart
- Ultimate parent of counterpart

The variables within each section are listed in Appendix I of the CHIIA Methodology. All sections, excluding the 'Transaction' section that records details specific to that transaction (for example, whether it was an acquisition or merger), involve companies, government bodies or people. Through these transactions, there is a relationship between the Chinese investor, the entity receiving investment and the counterpart. This relationship is illustrated by Chart 4.

Chart 4: The five parties recorded in CHIIA data



There may be many more parties involved in the transaction, for example an intermediary between the investor and their ultimate parent. To achieve feasibility, only the six sections shown in Chart 4 are included in the main dataset. These sections are shown in blue in Chart 5. The grey sections in Chart 5 show other parties that may exist within the chain of control or effective control, or are related to those parties, but are not recorded in CHIIA data.

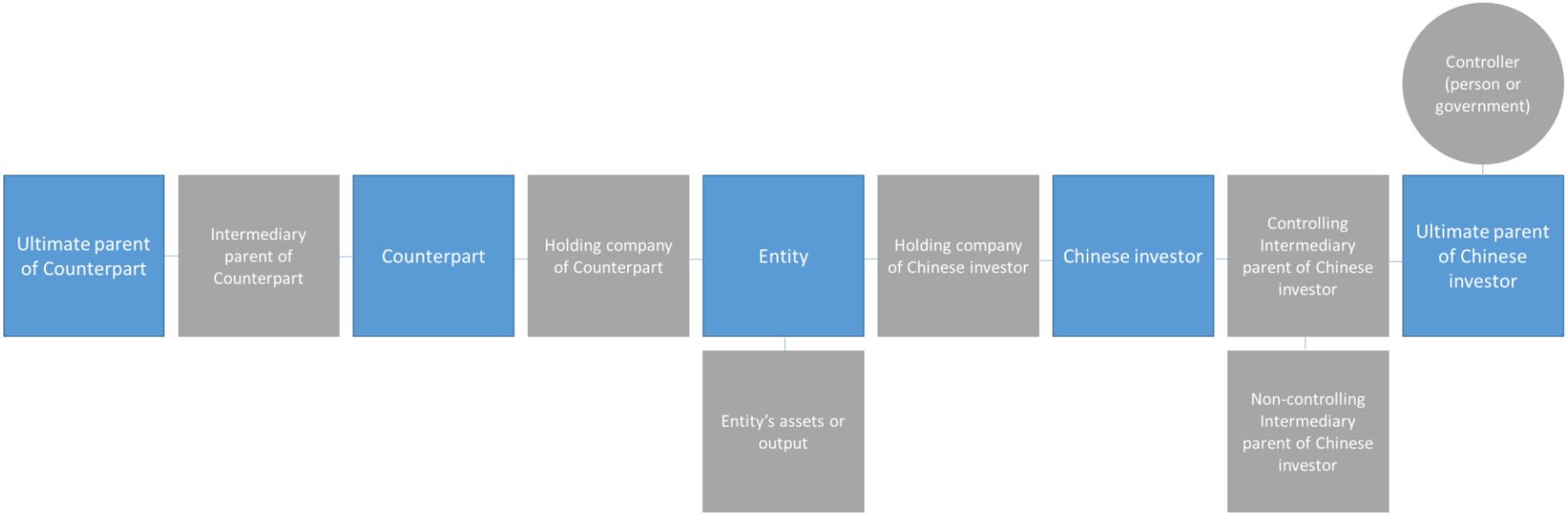
[1] A corporation is a statistical unit that meets the Australian Bureau of Statistics' definition of 'Legal Entity'.
[2] The definition of 'quasi-corporation' can be found in the IMF Balance of Payments Manual (Version 6), Chapter 5, 5.26.

If one section is not relevant, for instance an investor is the ultimate parent (that is, has no parent company itself), then the values in that section will be ‘N/A’.

In addition to the main dataset, CHIIA provides a supplementary dataset. This supplementary dataset is a list of transactions that meet the definitions set out in the Scope, but for which there is one or more basic fact (usually the transaction value) that cannot be confirmed to the standards set out in the CHIIA Methodology. This supplementary dataset is included to provide users with maximum information, without lowering the verification standards of the main dataset.

The remainder of this paper only uses data that appears in the main dataset. This is primarily because many of the variables required to produce the statistics in this paper, are not produced for transactions in the supplementary dataset.

Chart 5: Possible parties involved in a transaction



B. Key results from main CHIIA dataset for 2014–2017

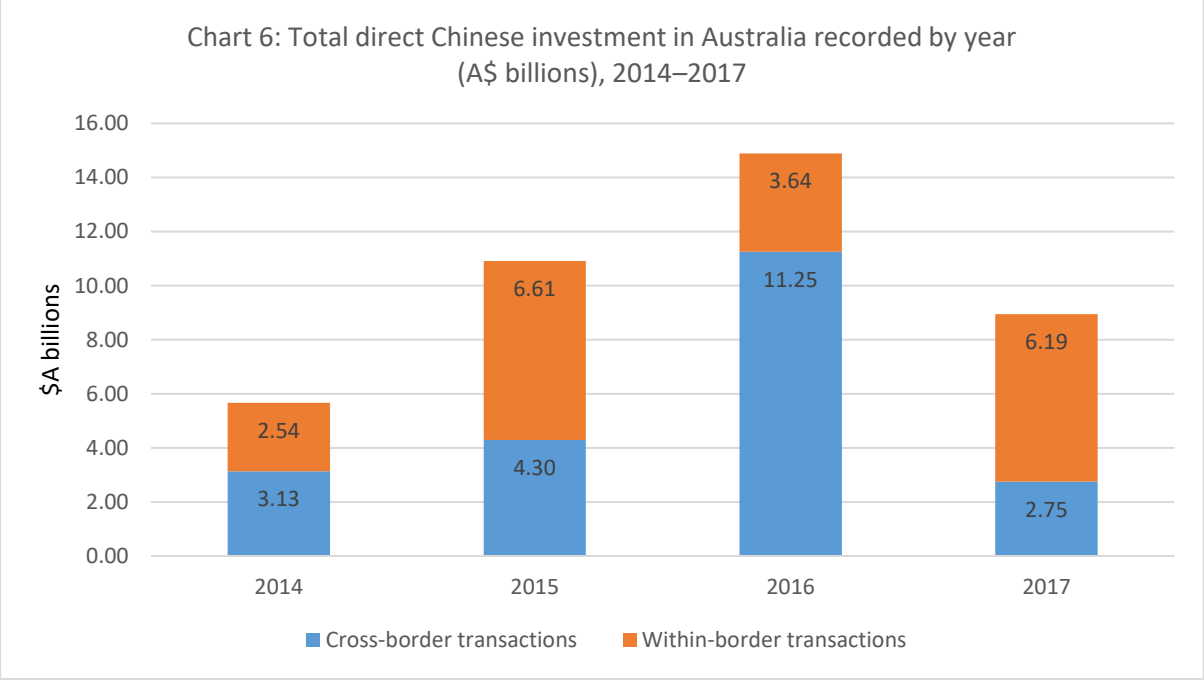
The value of Chinese controlled direct investment in Australia was A$40.4 billion between 2014 and 2017. The aggregate values per year are shown in Table 1. As noted in Part A, CHIIA defines the nationality of investors by that of their ultimate controlling parent. That means these investments involve Chinese investors, or their subsidiaries, acquiring equity stakes in Australian entities.

Table 1: Total investment recorded, by year (A$ billions)

Year	Total	State	Private
2014	5.67	2.37	3.30
2015	10.91	4.97	5.95
2016	14.89	7.90	6.99
2017	8.94	3.95	4.50
Accumulated over 4 years	40.42	19.18	21.23

Due to CHIIA's approach to defining the nationality of investors, CHIIA data also includes investments undertaken by Chinese investors' subsidiaries based in Australia. CHIIA data therefore includes the cross-border transactions recorded in other FDI statistical series as well as transactions that occur within Australia's borders, regardless of the source of funds. For example, CHIIA would include transactions involving the Australia-based subsidiary of a Chinese real estate developer purchasing real estate in Australia and funded locally.

Chart 6 sets out total investment recorded each year divided into 'cross-border' and 'within-border' transactions. Over these four years, the amount of Chinese investment originating from Chinese firms already established within Australia has increased in terms of dollar value and also as a proportion of total investment. This suggests that Chinese investors' permanent presence in Australia, through locally-based subsidiaries, has grown over this period. These subsidiaries can be funded through direct investments from the offshore parent company or from funds raised outside of the group.



Investment by sector

All sectors, except one, have received Chinese investment during this period. Chinese investment is concentrated in particular sectors, for instance mining, which received a quarter of the total Chinese controlled investment in the last four years. However, all sectors categorised, except 'public administration and safety', received some investment during this period.

The share of investment received by different sectors varies greatly across years. Table 2 shows the percentage of total investment for each year received by each sector. The highest figure for each year is outlined in blue. Perhaps unsurprisingly, Mining begins and ends this period receiving the largest proportion of investment, in those years. In between, the Rental, Hiring and Real Estate Services ('Real Estate') and Transport, Postal and Warehousing ('Transport') received the highest share of investment in 2015 and 2016, respectively.

Table 2: Share of Chinese controlled investment in Australia by sector (per cent of annual total), 2014–2017

Sectors (ANZSIC)	2014	2015	2016	2017	Whole period
Agriculture, Forestry and Fishing	1.4	2.7	6.3	0.3	3.3
Mining	34.7	12.3	13.7	50.9	24.5
Manufacturing	0.8	15.0	0.0	4.7	5.2
Electricity, Gas, Water and Waste Services	-	0.0	22.4	5.7	9.5
Construction	4.5	13.1	0.4	-	4.3
Wholesale Trade	-	0.1	-	-	0.0
Retail Trade	-	-	-	3.6	0.8
Accommodation and Food Services	15.7	6.8	0.3	2.1	4.6
Transport, Postal and Warehousing	16.1	4.6	27.3	-	13.6
Information Media and Telecommunications	15.9	-	-	-	2.2
Financial and Insurance Services	0.0	0.1	-	-	0.0
Rental, Hiring and Real Estate Services	6.9	42.1	16.2	14.8	21.6
Professional, Scientific and Technical Services	-	-	2.7	0.9	1.2
Administrative and Support Services	-	1.1	-	1.5	0.6
Public Administration and Safety	-	-	-	-	0.0
Education and Training	0.8	0.0	0.0	-	0.1
Health Care and Social Assistance	-	1.8	9.7	15.5	7.5
Arts and Recreation Services	-	0.2	0.8	-	0.3
Other Services	3.1	-	-	0.0	0.4

Key

*This value is more than **100 per cent** of the previous year's value, for the same sector.*	*This value is more than **200 per cent** of the previous year's value, for the same sector.*	*This value is more than **300 per cent** of the previous year's value, for the same sector.*

Three sectors — mining, real estate and transport — received the largest share of investment in every year covered, except in 2017 when transport received zero investment. The sudden drop from the highest to lowest recipient of investment by this sector in the space of one year, illustrates the annual variability of investment by sector.

The coloured cells in Table 2 highlight this. If the percentage of investment received in one year is more than 100 per cent higher than that received in the previous year, the cell is yellow. If this increase is more than 200 per cent higher, the cell is orange. If more than 300 per cent higher, the cell is red.

The red cells in 2015 and 2016 are all followed by a dramatic decrease in 2017 with the exception of the health care and social assistance (the 'health care') sector. Only one other sectors appear to follow this growth path: accommodation and food services. With this sector hitting peak investment in 2017, it remains to be seen whether is sustained in 2018.

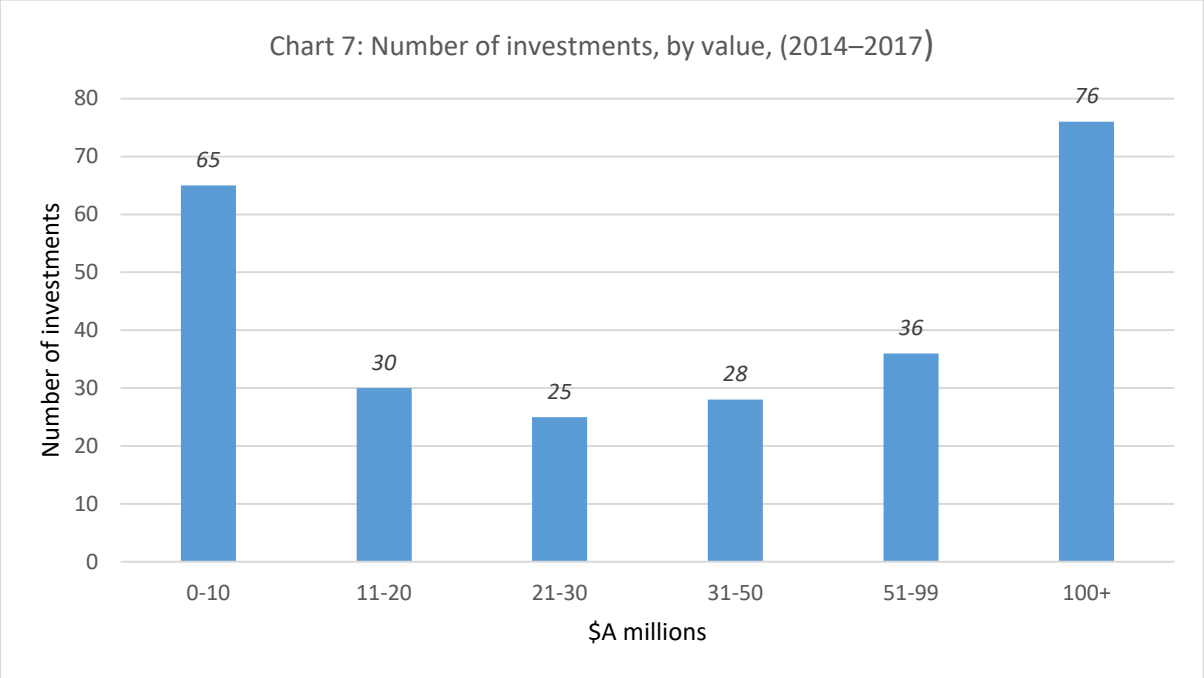
The variability revealed in Table 2 appears to be associated with a number of large investments involving at least A$100 million. The number of large deals received by sector, each year, is shown in Table 3. The red outlined cells in Table 3 mirror the peaks illustrated by the red cells in Table 2. This association holds for all sectors except one: health care, which receives its highest number of large deals in the following year.

Table 3: Number of large[3] investments by sector, per year, 2014–2017

	2014	**2015**	**2016**	**2017**
Agriculture, Forestry and Fishing	0	1	4	0
Mining	3	2	2	7
Manufacturing	0	3	0	1
Electricity, Gas, Water and Waste Services	0	0	2	2
Construction	1	2	0	0
Wholesale Trade	0	0	0	0
Retail Trade	0	0	0	1
Accommodation and Food Services	3	2	0	1
Transport, Postal and Warehousing	1	1	5	0
Information Media and Telecommunications	1	0	0	0
Financial and Insurance Services	0	0	0	0
Rental, Hiring and Real Estate Services	1	8	5	5
Professional, Scientific and Technical Services	0	0	2	0
Administrative and Support Services	0	1	0	0
Public Administration and Safety	0	0	0	0
Education and Training	0	0	0	0
Health Care and Social Assistance	0	1	2	4
Arts and Recreation Services	0	0	1	0
Other Services	1	0	0	0

[3] Large transactions include those involving at least A$100 million in a single instance

Large deals have an effect on the value of investment commensurate with transactions size. CHIIA data shows us that large deals are slightly more frequent than the very small deals involving up to A$10 million over these four years. Chart 7 shows the number of investments by transaction value for all four years. The total number of investments for each column in Chart 7 is the sum of the investments within each category for all four years.



These data are shown for each year and the whole period in Table 4. The frequency of transactions by size appears to be volatile if the year-by-year figures are considered. However, if these figures are represented as a percentage of the total number of investments per year, there appears to be a more stable pattern in the distribution of investments by size. These percentages are shown in Table 5.

Table 4: Number of investments, by value, per year (2014–2017)

Value of investment ($A millions)	**2014**	**2015**	**2016**	**2017**	**TOTAL (shown in Chart 2)**
0–10	10	17	24	14	**65**
11–20	5	8	8	9	**30**
21–30	5	9	5	6	**25**
31–50	4	10	11	3	**28**
51–99	6	6	15	9	**36**
100+	11	21	23	21	**76**
N/A	0	2	0	0	**2**
TOTAL	**41**	**73**	**86**	**62**	**262**

Table 5: Number of investments, by value, as a percentage of the total investments received per year (2014–2017)

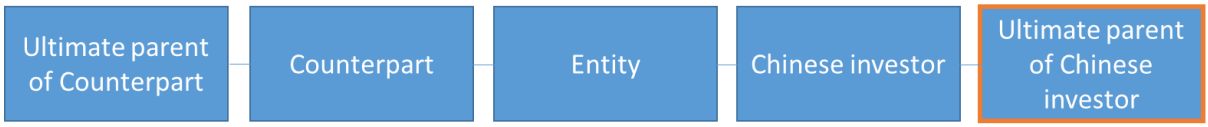
Value of investment ($A millions)	2014	2015	2016	2017	AVERAGE OVER PERIOD
0–10	24.4	23.3	27.9	22.6	24.5
11–20	12.2	11.0	9.3	14.5	11.7
21–30	12.2	12.3	5.8	9.7	10.0
31–50	9.8	13.7	12.8	4.8	10.3
51–99	14.6	8.2	17.4	14.5	13.7
100+	26.8	28.8	26.7	33.9	29.1
N/A	-	2.7	-	-	0.7

C. Who is undertaking and receiving investment?

CHIIA produces and publishes data at the transaction level. This means that in addition to the statistics describing aggregate activity, researchers can glean the parties involved in the investment transaction and how each relates to one another through their investments.

Chart 8 is replicated below, with the party being discussed outlined in orange. This will serve as a visual tracker throughout this paper as each part of the data is discussed.

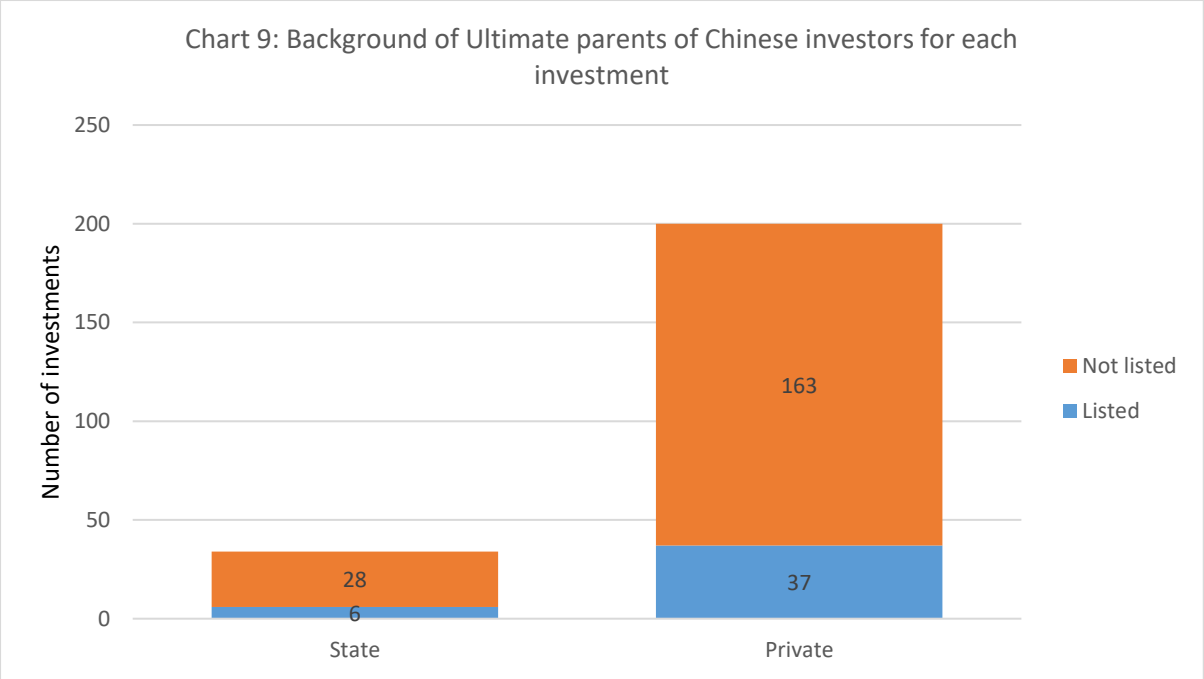
Chart 8: Ultimate parent of the Chinese investor



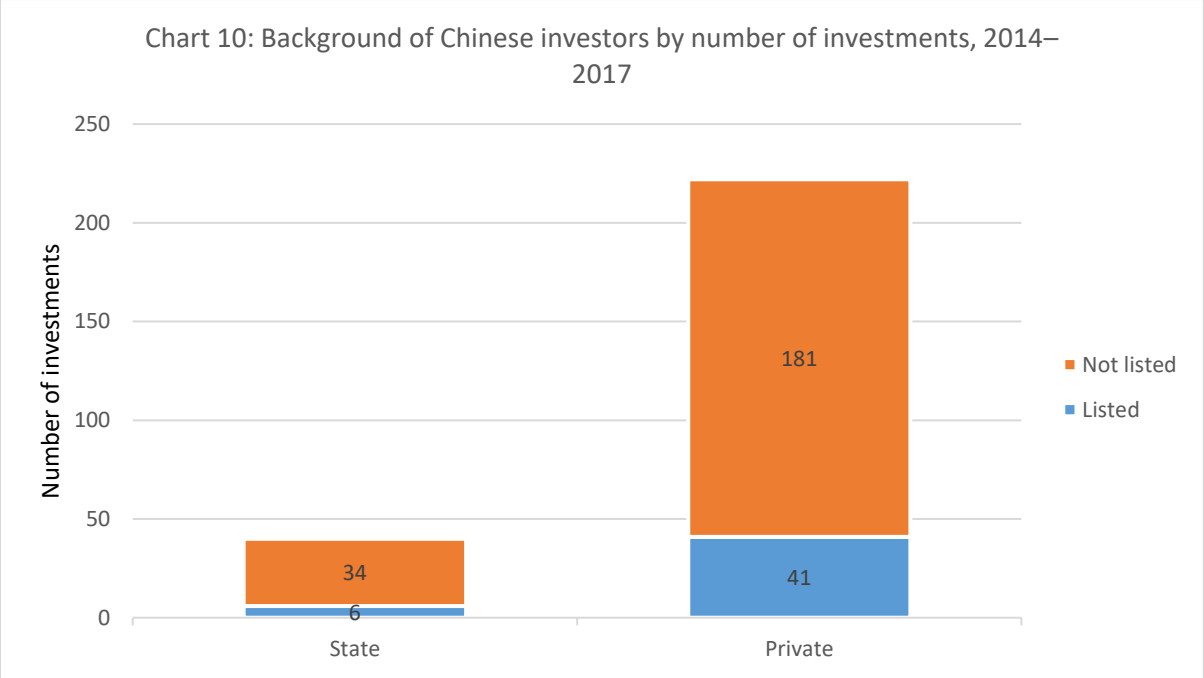
This section will discuss the background of the ultimate parent companies of Chinese investors as recorded in CHIIA data for 2014–2017. The term 'ultimate parent' describes the last corporate parent in the chain of control. In some cases, there is an intermediary parent (between 'Chinese investor' and 'Ultimate parent of Chinese investor', which is not recorded in CHIIA data. There are also cases in which the Chinese investor has no parent company — this is true for 11 per cent of transactions in the data.

In the remaining 89 per cent of transactions (234 in total), the Chinese investor has an ultimate parent. Only 34 of these 234 transactions (15 per cent) involve a state-owned parent. This is lower than the total of 40 transactions that involve a state-owned investor, because this figure includes transactions in which the Chinese investor has no recorded parent.

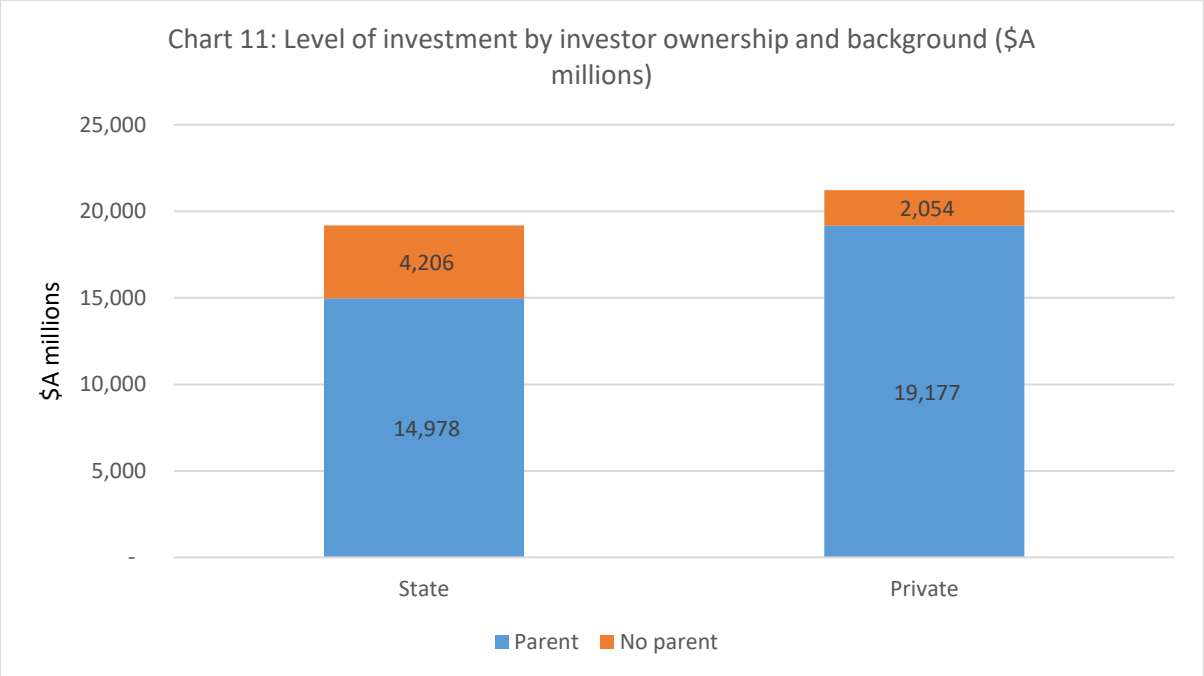
Of the transactions involving state-owned parent companies, only 18 per cent involve a listed parent company. This proportion is approximately the same for those involving private companies, with 19 per cent involving a listed parent. The number of transactions involving state or private parents, with the division between listed and non-listed, is shown in Chart 9.



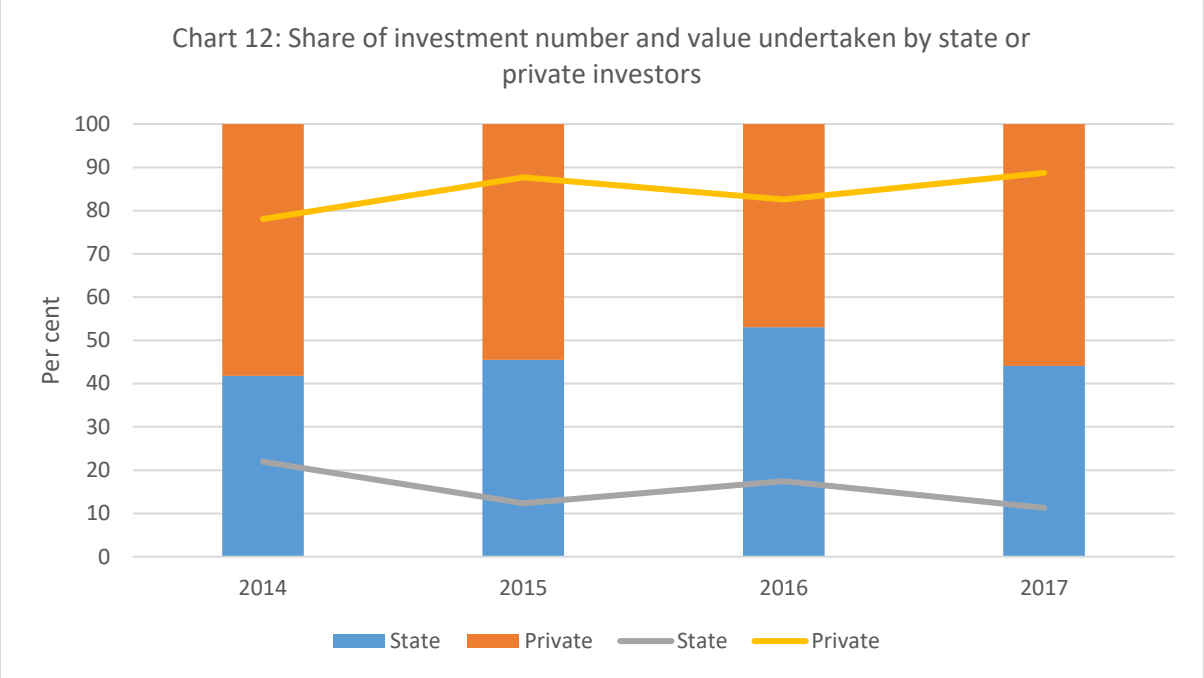
If Chinese investors without parents are included, these proportions change very little. Chart 9 is reproduced, but including the 28 investments in which Chinese investors do not have parents. This looks almost identical to Chart 10. The similarity between the two charts and the underlying data suggests that the background of Chinese investors that invest directly in Australia or through subsidiaries is very similar.



When including investors without parents, 15 per cent of investments involve state investors. These state investors account for an outsized proportion, 47 per cent, of investment by value for the whole period.

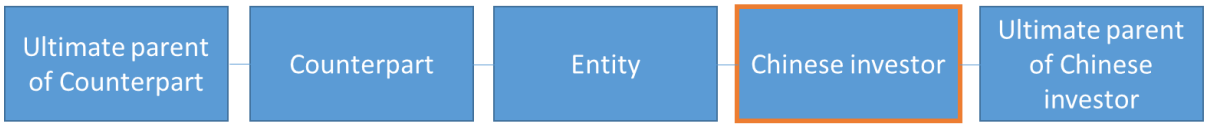


Across individual years, the proportion of the number of investments and their value alters slightly and moves in tandem. The bars in Chart 11 show the per cent of investment value that involve state or private investors. The overlaid lines in Chart 12 show the per cent of investments involving a state or private investor. For all years except 2015, when the size of a bar rises, so does the line.



Over this period, the proportion of investment value contributed by state investors roughly reflects the trend in overall investment received. This means, this pattern in private investors' activity is the inverse.

Chart 13: Chinese investor



A large majority, 70 per cent, of transactions involve a Chinese controlled direct investor that is registered in Australia, as shown in Table 6. The next most common location of the direct investor, is China at 20 per cent. Thirteen investments, accounting for 5 per cent, involve Chinese controlled investors registered in Hong Kong. The remaining 10 per cent of transactions involve Chinese controlled investors registered in the Cayman Islands, Singapore, British Virgin Islands, Bermuda and Germany. There are four transactions for which the location of registration of the investor is unknown. What CHIIA does not reveal is the proportion of funds of Chinese controlled Australian registered investors that is sourced directly or indirectly to mainland China.

Table 6: Number of transactions and investment value by registration location of investor (nominal, per cent)

	Number	Per cent	Investment value	Per cent
Australia	184	70.2	16,218	40.1
China	52	19.8	17,183	42.5
Hong Kong	13	5.0	2,966	7.3
Unknown	4	1.5	542	1.3

Cayman Islands	3	1.1	1,738	4.3
Singapore	2	0.8	826	2.0
British Virgin Islands	2	0.8	902	2.2
Bermuda	1	0.4	25	0.1
Germany	1	0.4	15	0.0

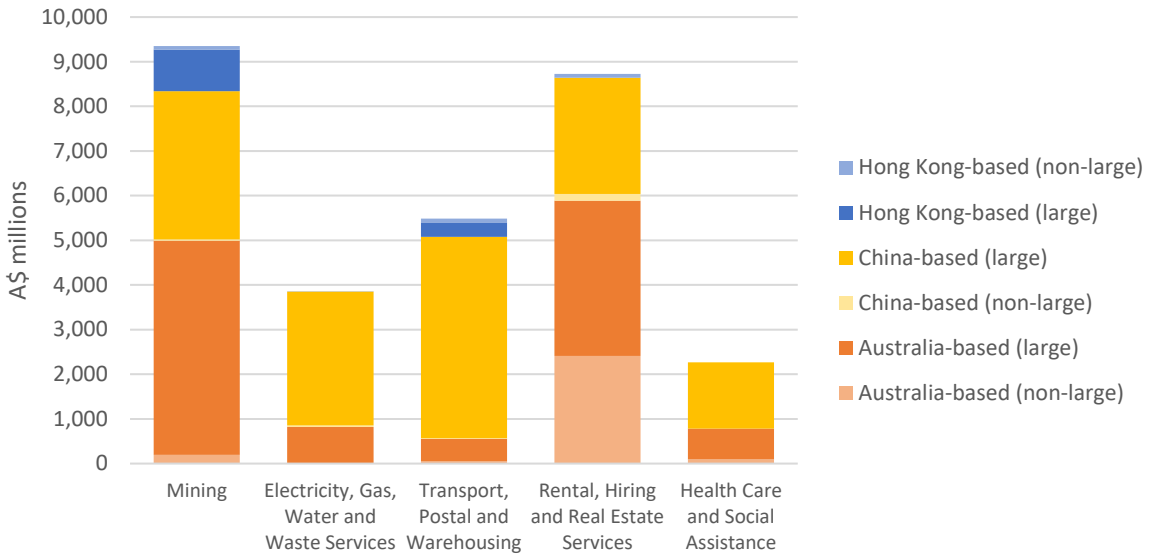
Table 6 also includes the amount of investment involved in transactions with Chinese investors registered in each location. The largest difference is seen for those Chinese controlled direct investors registered in Australia. Though they are involved in 70 per cent of transactions, they only account for 40 per cent of the investment undertaken. Conversely, the 20 per cent of transactions involving investors registered in China account for 43 per cent of total investment undertaken. This suggests that investments involving China-based investors tend to be larger deals. This is confirmed by the data in Table 7, which shows the distribution of investment values for investors identified as China-based. Half the investments involving investors identified as China-based are worth at least A$100 million. By comparison, the most common investment value range for Australia-based investors is A$0-10 million.

Table 7: Number of transactions by value for China-based investors

	2014	2015	2016	2017	Whole period
0–10	3	3	3	0	9
11–20	0	1	1	0	2
21–30	0	3	1	0	4
31–50	1	2	2	0	5
51–99	0	1	1	3	5
100+	3	3	13	7	26
N/A	0	1	0	0	1
Total	7	14	21	10	**52**

These large deals by investors identified as China-based are represented by the yellow bars in Chart 8. This shows that the large deals are perhaps unsurprisingly focused in sectors that receive large amounts of investment (Table 2).

Chart 14: Large vs. non-large investments in top five receiving sectors, by location of investor (Australia, China, Hong Kong) 2014–2017



Either direct investors identified as Australia or China-based account for the largest proportion of each sector's large investments, except for Construction which received 82 per cent of its large investment value from direct investors identified as Hong Kong-based.

Chinese controlled direct investors identified as Australia-based account for 70 per cent of investment value of non-large investments (involving less than A$100 million). This suggests that investors with a permanent presence in Australia tend to be undertaking smaller investments. While the number of non-large deals by Australia-based investors tracks the trend in total investment levels, the number of large investments clearly does not.

Chart 15: Number of investments by size, involving Australia-based investors, per year

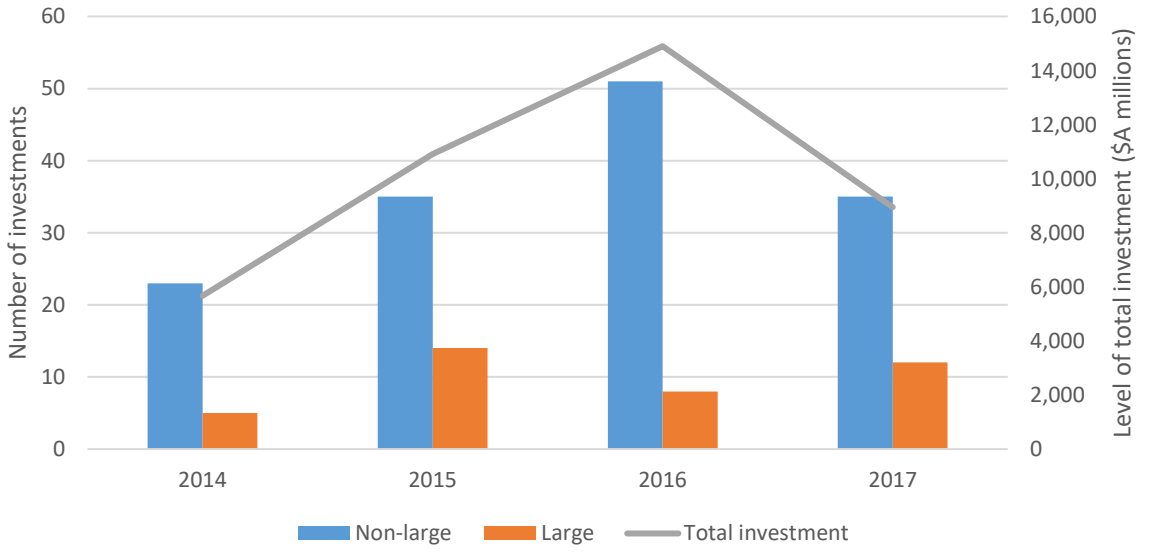


Chart 16: Entity

The entities receiving Chinese investment are overwhelmingly located in urban rather than rural areas. Chart 17 shows the investment received by each state and whether that investment is located in a rural or urban area. 'N/A' appears as a category in both aspects because some investments are located in more than one state and in both urban and rural areas. Table 8 shows the same data used to produce Chart 17.

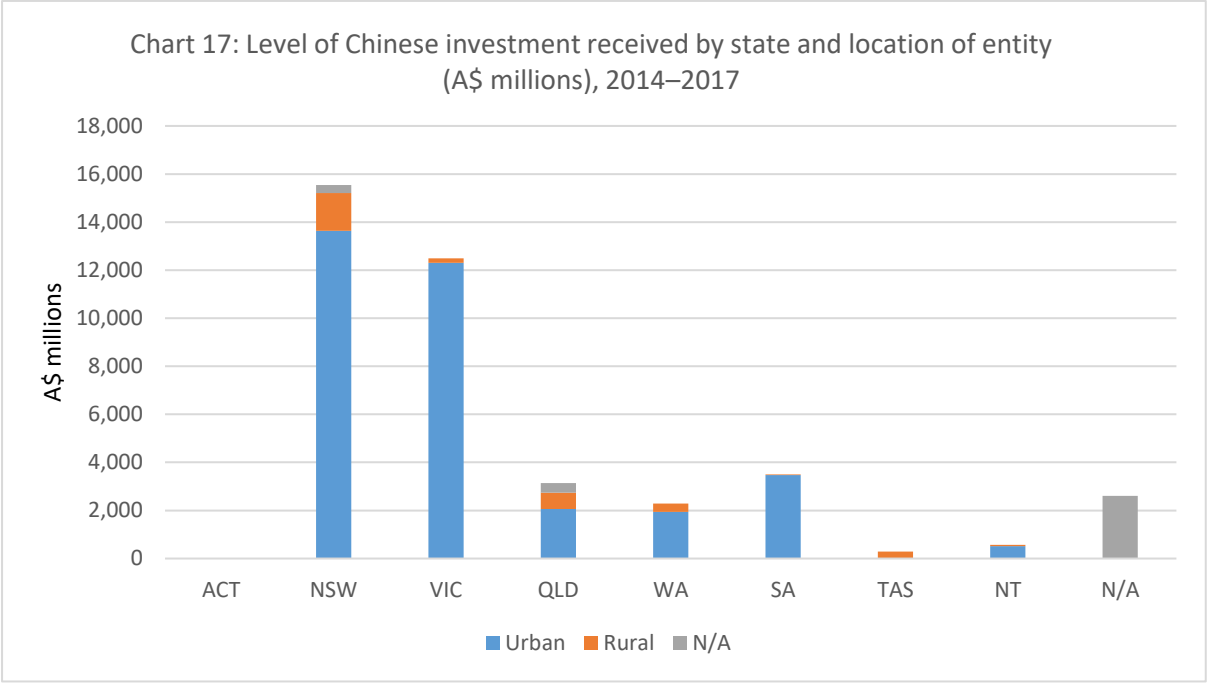


Table 8: Investment received in urban and rural areas by state for 2014–2017 (A$ millions)

State	Urban	Rural	N/A	TOTAL
ACT	0	0	0	**0**
NSW	13,631	1,583	331	**15,546**
VIC	12,301	187	0	**12,488**
QLD	2,062	683	392	**3,137**
WA	1,940	351	0	**2,290**
SA	3,470	29	0	**3,499**
TAS	6	280	0	**286**
NT	518	47	0	**565**
N/A	0	0	2,605	**2,605**
TOTAL	**33,928**	**3,159**	**3,328**	**40,415**

Entities in New South Wales and Victoria receive a large portion of total investment. This is true within years and across the whole period. Levels of investment by state and per year are shown in Chart 18. The data used to create Chart 18 are shown in Table 9.

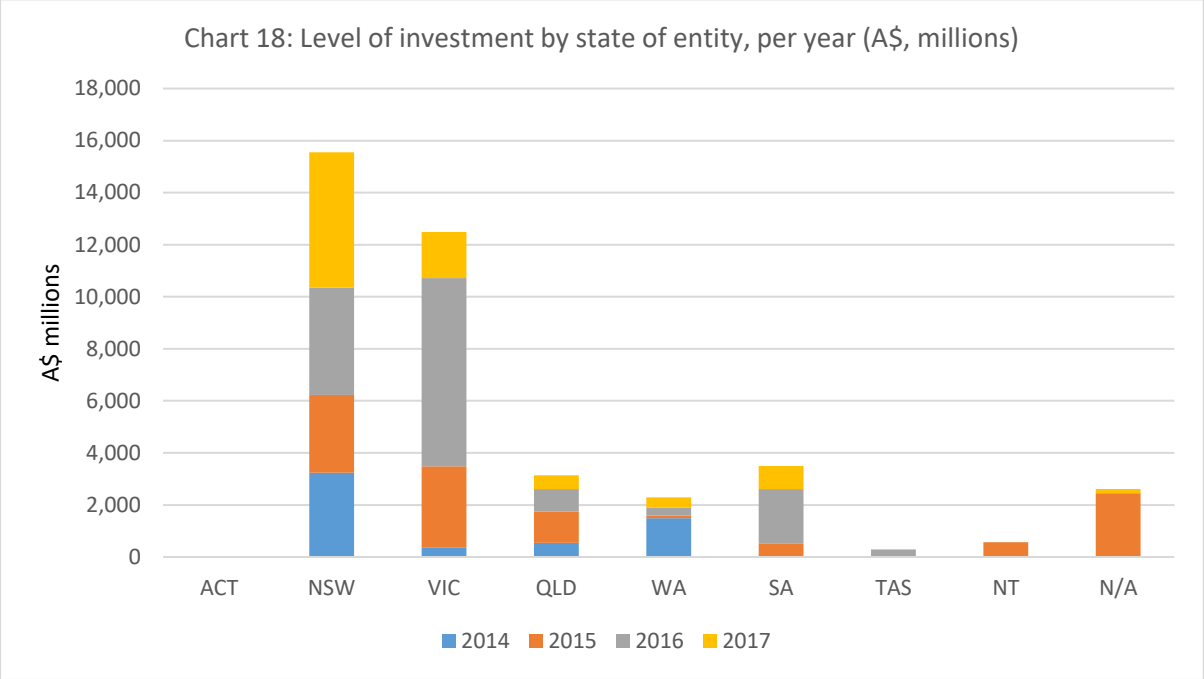


Table 9: Level of investment received by state of entity, per year (A$, millions)

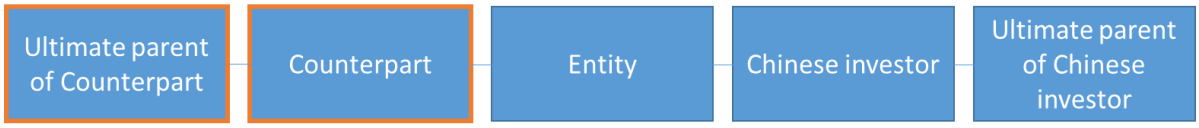
	2014	2015	2016	2017	Whole period
ACT	-	-	-	-	-
NSW	3,238	2,988	4,122	5,198	15,546
VIC	375	3,113	7,227	1,773	12,488
QLD	546	1,201	862	528	3,137
WA	1,494	101	300	396	2,290
SA	6	505	2,100	888	3,499
TAS	-	-	280	6	286
NT	12	553	-	-	565
N/A	-	2,450	-	155	2,605

New South Wales and Victoria appear to receive these large shares of investment in two ways. First, they receive high proportions of investment in the sectors that receive the most investment. Of the

three industries that receive the highest shares of investment — Mining[4], Transport and Real Estate — New South Wales and Victoria collectively receive 39, 78 and 68 per cent of investment in those sectors respectively. Second, they receive investment from the highest number of sectors. Of the 19 sectors listed, New South Wales receives investment in 15 and Victoria receives investment in 13 of those sectors. By comparison, South Australia, the sector receiving the third highest level of investment over this period only received that investment across five sectors.

Investments were predominantly made by acquisition of equity conferring a controlling interest or a significant influence to a Chinese parent company in a going concern located in Australia. Only 1 of 262 direct investments involved a merger that between a Chinese controlled enterprise and another enterprise. Of the 261 acquisitions, only 22 were conducted as joint ventures, that is, as partnerships between a Chinese controlled enterprise and another enterprise.

Chart 19: Counterparts and Ultimate parents of Counterparts



The entity is what is being invested in. The counterpart is the party [selling the equity to]the Chinese investor. In some cases, the entity and counterpart are one and the same — for instance, if a company issues a share placement. In this case, the company is both the entity being invested in and the counterpart that receives the funds.

CHIIA produces data on the same variables for counterparts and Chinese investors. These data are produced to help researchers better understand if and how, the counterparts in these transactions shape the realisation of Chinese investment in Australia, in a sense, how investors and counterparts are matching. However, of the total 262 transactions, 27 per cent involve a counterpart that is de-identified. Parties are de-identified if they are anonymous to CHIIA, are individuals, families or request to be de-identified. For these de-identified counterparts, there is noticeably less data.

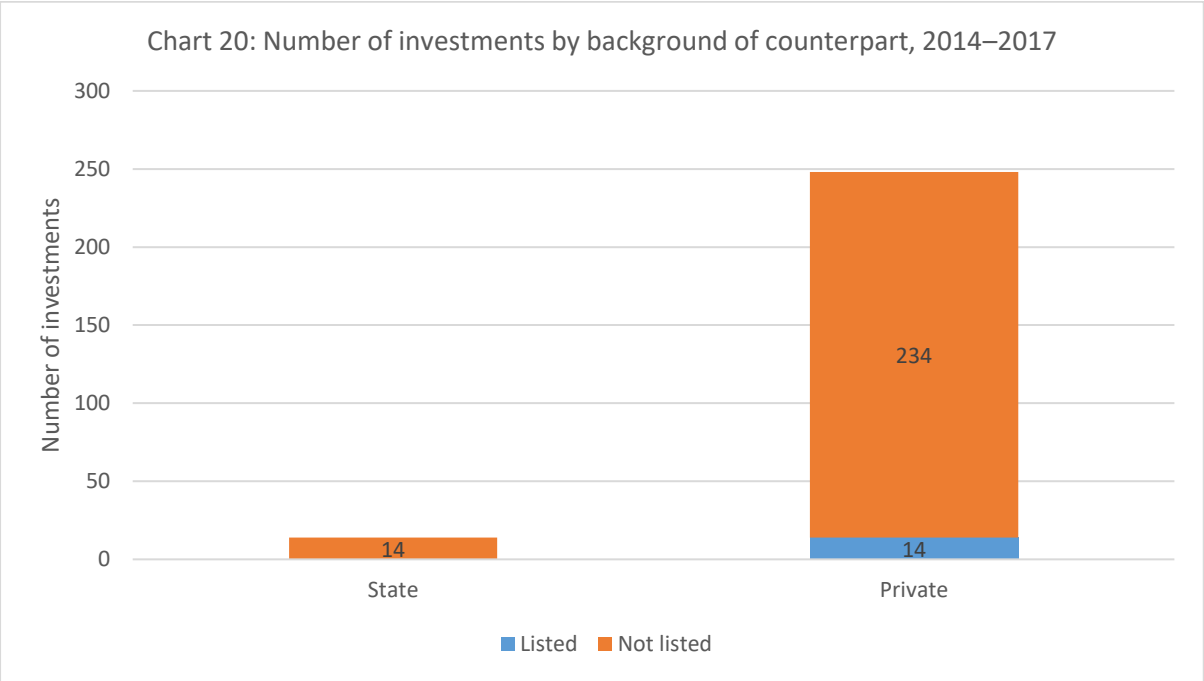
The lack of information on counterparts means it is often impossible to identify the ultimate source of control or significant influence of these companies (for example, by nationality) and whether these companies have ultimate parent companies. This results in 78 transactions involving an 'Unknown' ultimate parent of the counterpart. While better information on the counterparts and their parents would be preferable, the lack of information (particularly on the parent companies) should not be cause for alarm. It should be noted that of the 190 transactions involving a known counterpart, 70 per cent of those transactions involve an investor that does not have an ultimate parent company as defined by the CHIIA Methodology. This suggests that the structure of counterparts is materially different to many of the Chinese investors in this data.

Due to the lack of information and the lack of ultimate parent companies, the following statistics will focus on the immediate counterparts, rather than their ultimate parents.

Two hundred and forty-eight transactions, which accounted for 94 per cent, involve privately-owned counterparts, as shown in Chart 20. Of those 248 privately-owned counterparts, 14 are publicly

[4] The location of an entity is defined by where the company is registered. While little mining activity occurs in New South Wales and Victoria, many mining companies are registered in those states.

listed. The state counterparts involved in the remaining five per cent of transactions are all Australian, barring one, and are government land agencies or governments themselves.



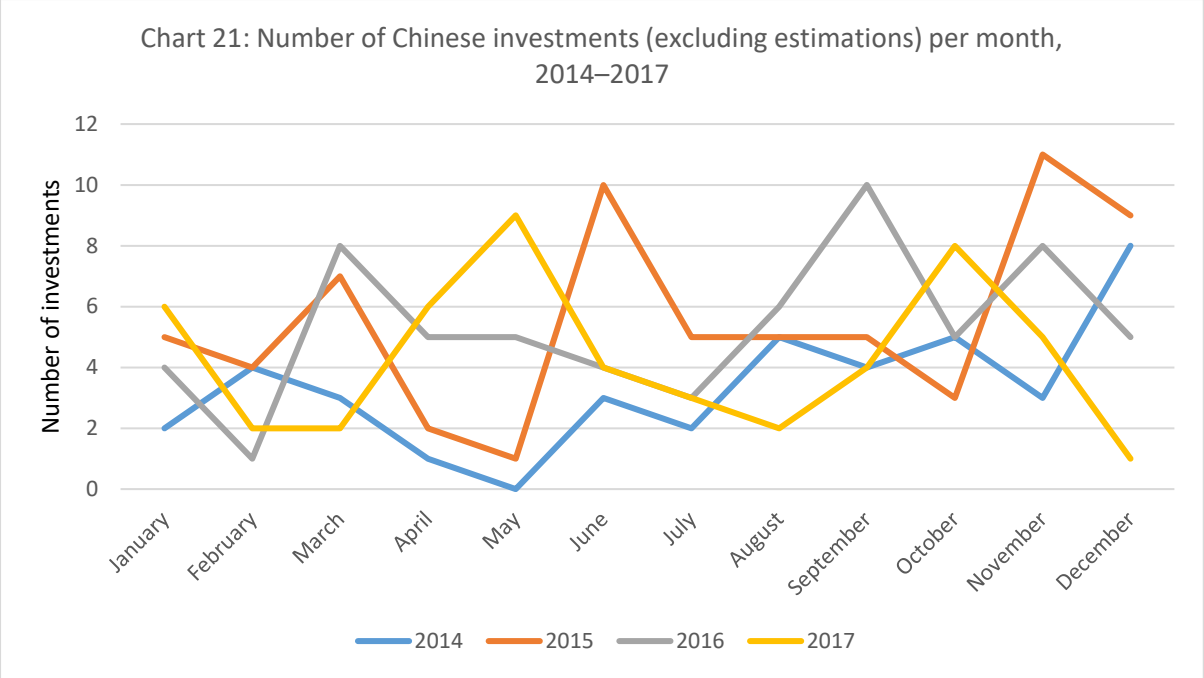
Unlike Chinese investors, the proportion of transactions and investment levels associated with state counterparts, is roughly equal. The 5 per cent of transactions involving state investors accounted for 7 per cent of investment.

Among the private investors, some of those are not companies but their shareholders. These are denoted in CHIIA data as '[Entity name]_shareholders'. This was the case in 19 of the 262 transactions (7 per cent). These transactions accounted for 13 per cent of total investment.

D. Timing and frequency of investment activity

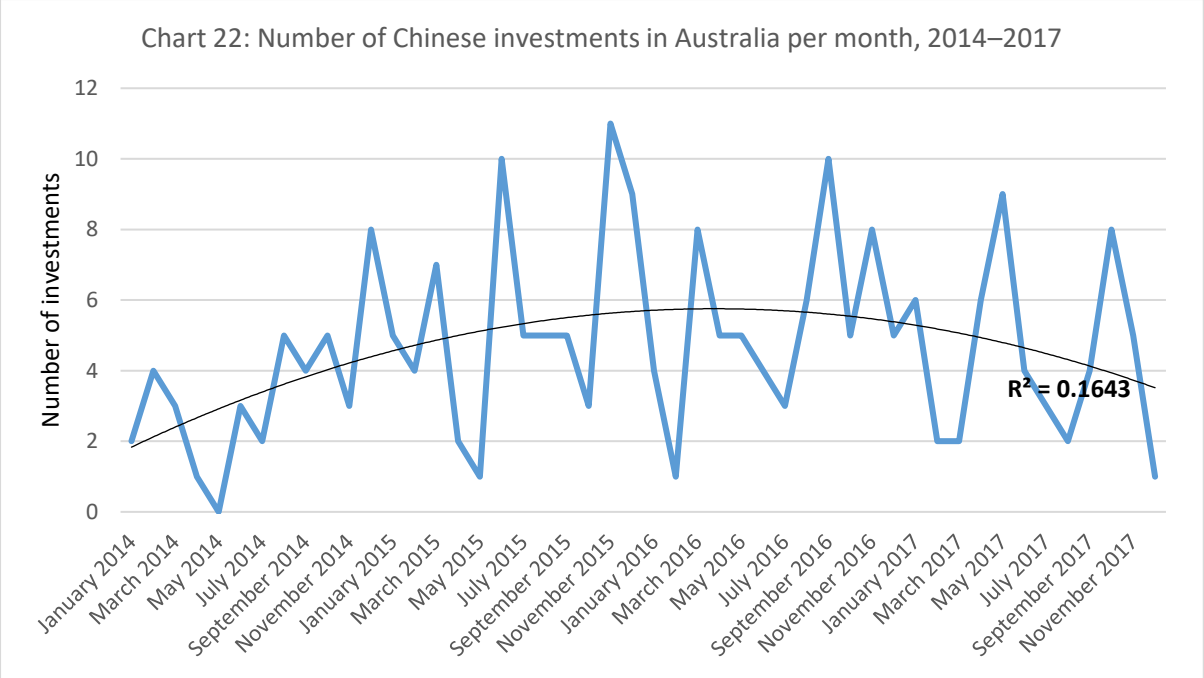
Timing of individual investments

CHIIA records investments by realisation which is sometimes referred to as the date of 'change in legal ownership'. Chart 21 shows the number of investment received in each month for each year. Note that this does not include investments for which the month has been estimated in CHIIA data. If there is insufficient information regarding the month of realisation, CHIIA estimates the month by placing these transactions in the month that experienced the average (or closest) monthly average AUD–USD exchange rate. This minimises measurement error if researchers are converting the Australian dollar investment values into American dollars, which is common practice in this area of research.



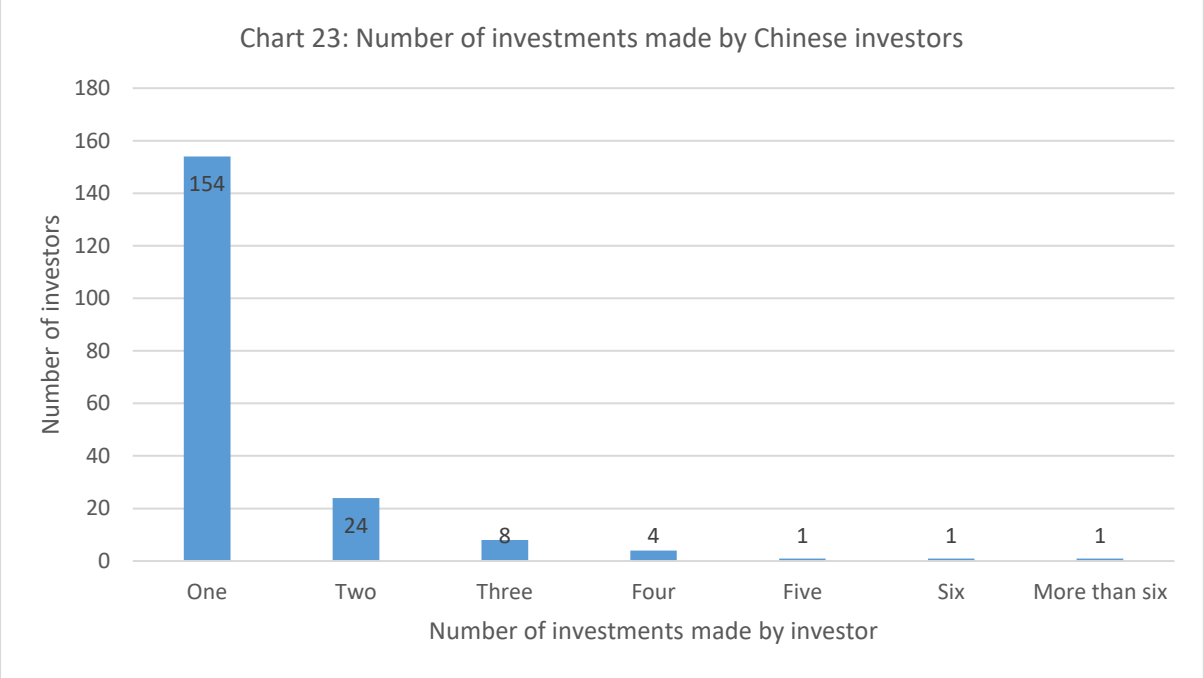
Across these four years, there is no consistently common month in which investments are realised. The 'peak' number of investments for each year occurred in December for 2014, June for 2015, September for 2016 and May for 2017.

Across all years, except 2017, a slightly higher number of investments are received at the end of each year as compared to the beginning. Also, the number of investments received at the beginning of the year rises across years with the exception of across 2015 and 2016, which received five and four investments in January, respectively. These two trends result in a positive trend in the number of investments, which then tapers off in 2017. This reflects the trend in the amount of investment received, as shown in Table 2. This suggests that the total amount of investment is not just driven by large investments — as these are given equal weight to all other investments in Chart 22. Chart 21 also suggests that, around the variations in each year the trend has been for Chinese controlled direct investment activity in Australia to level off.



Frequency of individual investments

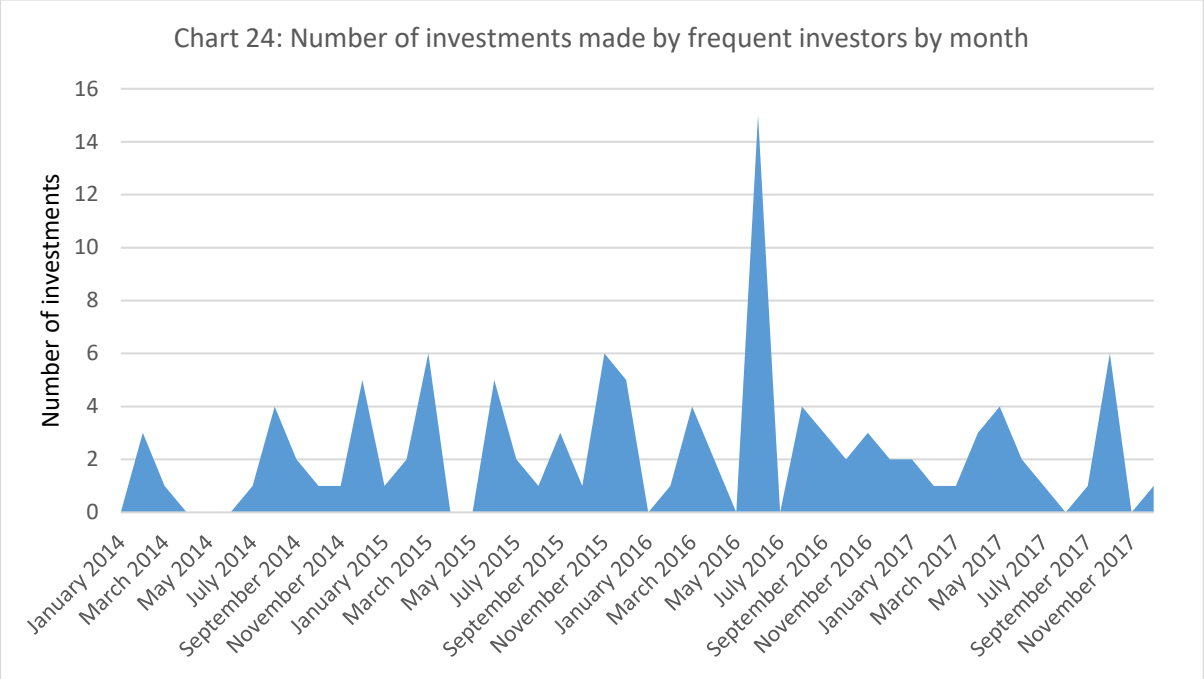
There are 193 unique Chinese investors identified in the main CHIIA database. Eighty per cent of those investors[5] have made a single investment. Another 18 per cent have made between two and four investments over the 2014 to 2017 period. These investors' investments accounted for 42 per cent of total recorded investment activity. Three investors have made more than four investments in these four years. These three investors' investments have accounted for almost A$2.5 billion, or 6 per cent of total investment during this period.



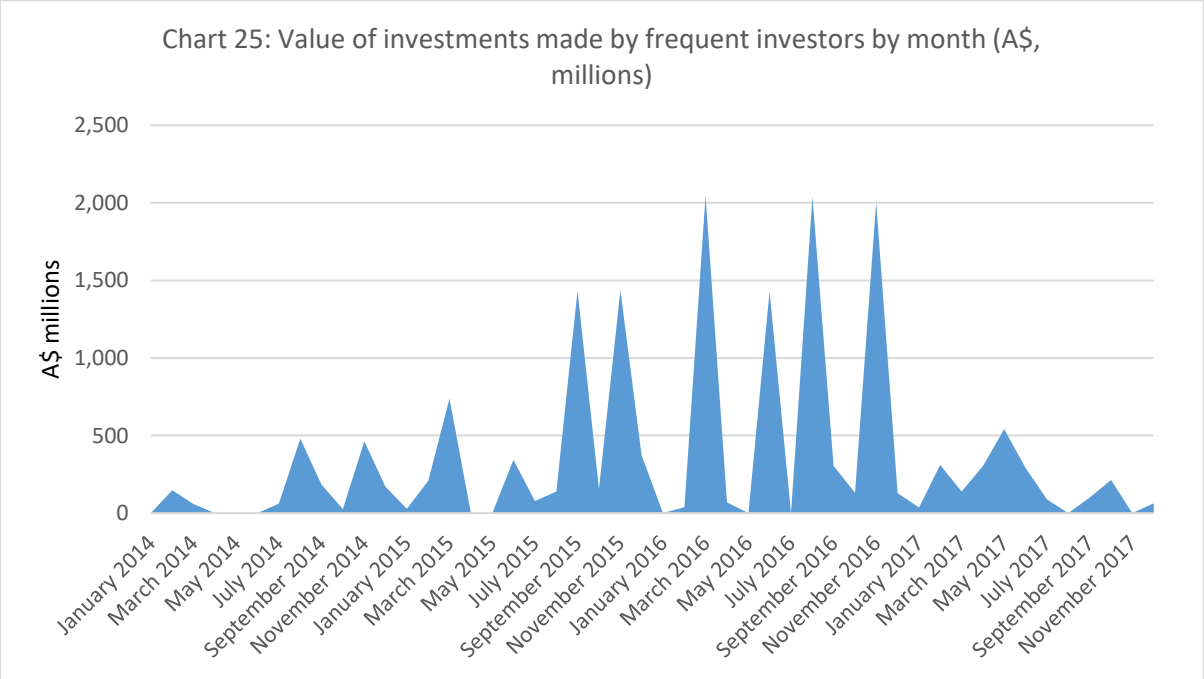
[5] This includes de-identified investors who are anonymous to CHIIA, who cannot be connected to more than one investment.

Occurrence of repeat investments

Frequent investors (those who made more than one investment) did not favour any one season or month, when making their investment as shown in chart 24. Although the incidence of invesment was fairly evenly spread, there was large spike in May 2016.



When the value of investments is considered, the distribution over time changes, as shown in Chart 25. The value of investment from these investors is concentrated in the months of March, July and November of 2016, with September and November 2015 and May of 2016 showing peaks.



The size of frequent investors' investments is large, as illustrated by Chart 26. Thirty-eight per cent of their investments are large (involving at least A$100 million) which accounts for 54 per cent of all large investments. The data used to create Chart 26 is shown in Table 10. This suggests that one-off investors are more likely to make smaller investments.

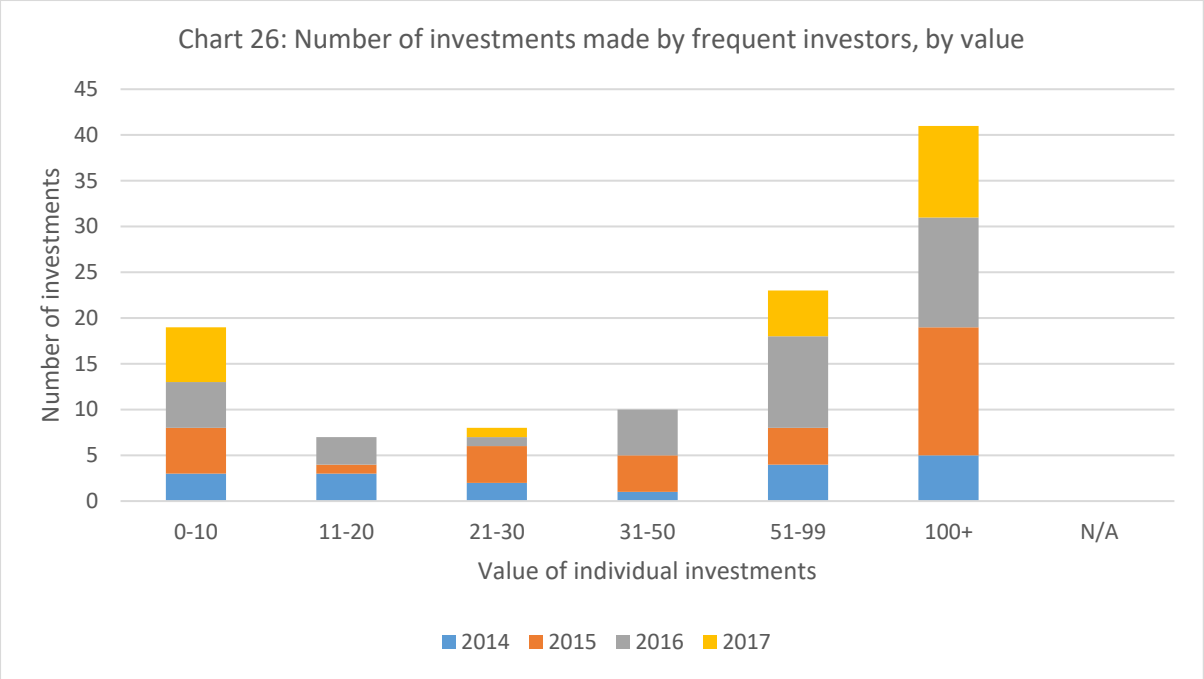


Table 10: Number of investments made by frequent investors, by value, per year

	2014	2015	2016	2017	Whole period
0–10	3	5	5	6	19
11–20	3	1	3	0	7
21–30	2	4	1	1	8
31–50	1	4	5	0	10
51–99	4	4	10	5	23
100+	5	14	12	10	41
N/A	0	0	0	0	0

The investments that are made by frequent investors, are commonly undertaken by Australia-based cohort of Chinese controlled investors. Table 11 shows the registration locations of frequent investors and how many investments were made by these investors in each year.

Table 11: Number of frequent-investor transactions by location of investor, per year

	2014	2015	2016	2017	Whole period
Australia	17	26	25	17	85
China	1	4	9	4	18
Unknown	0	1	0	0	1
Cayman Islands	0	1	0	1	2
Hong Kong	0	0	2	0	2
Total	18	32	36	22	108

From these data it cannot be said which way the causation runs, but there is a clear association between the Chinese controlled investor being based in Australia and the likelihood they are a frequent investor. Like most other measures, this number rises until 2016 and then tapers off. Across each year, around 40 per cent of these frequent investors mainly operate in the real estate sector. A similar number of the investments involving frequent investors are in the real estate sector. The association between frequent investments and being based in Australia, may be driven by the fact that it's common practice for Chinese controlled real estate investors to centralise their interest in a single Australian-based company from which further equity acquisitions are made to afford a control interest or significant influence in an Australian operating company[6].

Conclusion

This preliminary analysis of CHIIA data reveals the breadth of information in the CHIIA database. It shows how information commonly found on a 'Contact us' page of a company website or business registration records can be brought together alongside data for other similar investments to provide a profile of Chinese controlled direct investment activity in Australia at the firm level. The microeconomic details that describe investing firms, help provide better understand of 'who' is undertaking investment activity. The broader information about activity and timing of investment should help researchers better explain how and why Chinese controlled direct investment is undertaken in Australia, the impacts and benefits of those investments.

[6] CHIIA also follows the statistical convention of recording all acquisitions of land by a domestic subsidiary of a foreign investor, which closely mirrors industry practice in this case.