



Internationalization of Chinese Construction Enterprises

Over recent years, Chinese companies have dominated all construction revenue rankings. If we look at the main listed construction companies, in 2019 China represented almost 44 percent of total sales recorded, with 12 groups included in the Top 100 ranking¹. Overall, Asia recorded 64 percent of the total sales obtained by the Top 100 listed construction groups in 2019 (Figure 1.1).

1. Deloitte, S.L., *Global Powers of Construction 2019*, July 2020, accessed 28 July 2020
 2. Ministry of Commerce of the People's Republic of China, 2019 年我对“一带一路”沿线国家投资合作情况, Ministry of Commerce of the People's Republic of China official website, 22 Jan 2020, <http://www.mofcom.gov.cn/article/tongjiziliao/dgzz/202001/20200102932445.shtml>, 2019 年我国对外承包工程业务简明统计, 22 Jan 2020, <http://www.mofcom.gov.cn/article/tongjiziliao/dgzz/202001/20200102932442.shtml>, accessed 28 July 2020

Although Chinese construction groups have traditionally been focused mainly on their domestic markets, over recent years, internationalization has started for many Chinese construction enterprises. In 2019 the Chinese companies included in the Top 30 listed construction groups obtained almost USD\$45,560 million in revenue outside their domestic market, representing approximately seven percent of their aggregate income. International development is encouraged and supported by the Chinese government and is also aided by the intense competition within the domestic market.

In the context of weak global economic recovery, together with growing trade frictions among major international economies, investment protectionism and trade protectionism in 2019, the globalization challenges faced by Chinese construction enterprises have increased significantly. However, the joint

construction of infrastructure under the Belt and Road Initiative has been documented in major publications issued by international organizations such as the United Nations, and by organizations which publish information on China-Latin America, China-Middle East and China-Africa relations. The Belt and Road Initiative Infrastructure Development Index continues to remain at a relatively high level, becoming an important driving force for Chinese construction enterprises to develop overseas. The One Belt One Road countries have strengthened policy communication, improved the business environment, increased infrastructure spending and inspired cross-border investment and cooperation.

According to statistics from the Ministry of Commerce of the People's Republic of China, in 2019 the total amount of new contracts for China's overseas contracting projects was USD\$260.3 billion, a year-on-

year increase of 7.6 percent, of which the giving rise to turnover of USD\$172.9 billion, a year-on-year increase of 2.3 percent. In 62 Belt and Road Initiative countries and regions, Chinese construction enterprises obtained approximately 60 percent of the newly concluded contracts -amounting to USD\$154.9 billion-, representing a year-on-year increase of 23.1 percent; turnover achieved was USD\$97.98 billion, accounting for approximately 56.7 percent, a year-on-year increase of 9.7 percent².

The types of overseas projects undertaken by Chinese construction enterprises mainly include water conservation, hydropower, ports, highways, railways and housing construction. In this context, some emerging economies and smaller developed economies are increasingly exposed to Chinese investment, such as areas of Africa and Southeast Asia. In fact, China is now the largest foreign investor in Africa's telecommunications infrastructure. In terms of regional globalization, in addition to the aforementioned regions Chinese construction enterprises have also experienced rapid development in engineering contracting, PPPs and other investment-construction-operation integrated businesses in Russia and South America.

Overseas market expansion and global operations deployment have become a strategic choice for many Chinese construction enterprises. For example, China Railway Construction Corp. Ltd. (CRCC) has proposed an "Prioritizing overseas business" strategy, aiming to achieve 50 percent of its business from overseas

Figure 1.1

Geographical area	Sales 2019 (M \$)	Percent of total
Asia	941,283	64%
Europe	350,094	24%
North America	139,976	10%
Australia	11,830	1%
Africa and Middle East	11,798	1%
Latin America	6,860	0%
Total	1,461,841	100%

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in terms of both the amounts of its newly-concluded contracts and the profits it makes from them by 2030³;

China Communications Construction Group Ltd. (CCCC), as the Chinese construction enterprise with the largest overseas business scale, aims to establish a global industrial chain by 2035 with a transnational index exceeding 50 percent, successfully completing its transformation into a first-class global company⁴.

In 2019 the amount of CRCC's new contracts for its overseas business was USD\$38.6 billion, a year-on-year increase of 107 percent⁵, while CCCC's new contracts for overseas projects amounted to USD\$28.3 billion, a year-on-year increase of 24 percent⁶, both figures exceeding the growth rate of their amounts of new contracts as a whole.

Conclusion

In terms of future development trends, demand for transportation infrastructure will increase as a result of the acceleration of industrialization and urbanization in relevant countries. Infrastructure connectivity projects such as roads, railways, ports and airports will encourage stronger incentives for international infrastructure development. All these factors will bring new favorable conditions for the development of Chinese companies around the world.

3. Wang Hong Wei, 践行初心使命 担当发展重任在建设“铁建一流”企业中全面加快海外事业发展步伐, CRCC official website, 23 July 2019, http://www.cr14gi.com/art/2019/7/23/art_17790_2945214.html, accessed 28 July 2020
4. 公司概况, CCCC official website, http://www.ccccltd.cn/aboutus/gsgk_558/, accessed 28 July 2020
5. 2019 Annual Report of CRCC, CRCC official website, 20 March 2020, <http://www.crcc.cn/col/col1173/index.html>, accessed 28 July 2020
6. 2019 Annual Report of CCCC, CCCC official website, 4 April 2020, http://www.ccccltd.cn/tzzgx/dqbg_682/, accessed 28 July 2020 Wang Hong Wei, 践行初心使命 担当发展重任在建设“铁建一流”企业中全面加快海外事业发展步伐, CRCC official website, 23 July 2019, http://www.cr14gi.com/art/2019/7/23/art_17790_2945214.html, accessed 28 July 2020

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