

## Macro Roundup Article

**Headline:** [Is China Financially Decoupling?](#)

**Article Link:** <https://www.brookings.edu/articles/is-china-financially-decoupling/>

Author(s)	Robin Brooks
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**Tweet:** [@robin\\_j\\_brooks](#) argues the reduction in net Chinese FDI since 2021 was driven primarily by an increase in outbound Chinese FDI in countries not subject to US tariffs, not by repatriation of capital by foreign investors in China.

**Summary:** China is likely diversifying its manufacturing base, shifting production to third countries where exports will not automatically be subject to U.S. tariffs. This is apparent in China's outward investment flows, which show a rise in outflows to countries across Asia and—on a smaller scale—to countries in Europe. This shift is consistent with China financially decoupling from the U.S. and diversifying manufacturing supply chains at the same time. Nick Lardy has flagged that the difference between non-resident FDI flows from SAFE versus FDI data from the Ministry of Commerce implies large asset sales in 2023, as MofCom data proxy for “greenfield” FDI while SAFE data are broader. However, for the few years in which data on reinvested earnings are available they accounted for 80% of the gap between SAFE and MofCom data. As reinvested earnings are not an actual capital flow—they are booked as an offsetting dividend payment in the current account and an FDI inflow in the financial account—it is possible that a big part of the 2023 outflow reflects losses at foreign-owned subsidiaries, consistent with lingering effects from China's COVID lockdowns, and thus has nothing to do with asset sales by foreigners.

**Related Articles:** Foreign Direct Investment is Exiting China, New Data Show and The Rise & Fall of Foreign Direct Investment in China and China's Unremitted Export Earnings

**Primary Topic:** China

**Topics:** China, Financial Markets, GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit, Trade (not deficits)

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