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ІНВЕСТИЦІЇ В КНР: РЕАЛЬНІ ЕКОНОМІЧНІ МОЖЛИВОСТІ ТА ТРУДНОЦІ

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У статті досліджуються практичні аспекти привабливості економіки Китаю. Значна увага приділяється залученням іноземним інвестиціям і секторам, що визначають інвестиційну міць і конкурентоспроможність економіки КНР. Ці сектори називають економічним середовищем. До них належать наступні складові: а) макроекономічна стабільність; б) рівень життя та розвитку інфраструктури; в) фінансове середовище, умови ведення бізнесу і робоча сила, і г) уряд та інституціональні умови.

Предметом статті є економіка Китаю, зокрема тенденції притоку прямих іноземних інвестицій, чотири сектори, що сприяють інклюзивному та сталому економічному розвитку протягом тривалого часу, а також можливості і проблеми залучення коштів в економіку Китайської Народної Республіки.

Метою даної статті є вивчення джерел успіхів і невдач під час залучення інвестицій в економіку Китаю. Для досягнення цілей статті використовуються теоретичні методи наукових досліджень, зокрема методи аналізу і синтезу. Стаття спрямована на вирішення таких питань: аналіз тенденцій притоку прямих іноземних інвестицій, дослідження становлення могутнього інвестиційного положення країни, порівняння Китаю з найбільш привабливими одержувачами іноземного капіталу в світі, а також контекстуалізація динаміки інвестицій, представлена у вигляді порівняння з найбільш привабливими одержувачами ПІІ в азієському регіоні, і окреслення ризиків і можливостей вливання капіталу в китайську економіку.

У статті проаналізовано розвиток інвестиційного потенціалу Китаю і зміну положення країни в глобальній і регіональній економіці. Зокрема, було встановлено, що інвестиційну привабливість може бути контекстуалізовано декількома способами, такими як порівняння КНР з найбільш привабливими одержувачами капіталу в світі, а також у азієському регіоні, простеження динаміки частки прямих іноземних інвестицій в обсязі валового внутрішнього продукту, а також частка інвестицій у китайську економіку в загальному обсязі інвестицій в країні азієського регіону. При залученні коштів в КНР існує цілий ряд можливостей та ризиків, які варто мати на увазі. Наприклад, інвестиційні проекти, спрямовані на зелене виробництво, очищення води і повітря, подальше впровадження інновацій у вітчизняну обробну промисловість, а також зелене і інноваційне будівництво житлових приміщень, швидше за все, будуть заохочуватися урядом. Що стосується труднощів при інвестуванні, до них можна віднести надмірну бюрократизацію і корупцію системи, нечітке і суперечливе законодавство, а також специфічне поєднання ринкової і планової економіки, яке вимагає неупередженого погляду на особливості економічного розвитку Китаю.

Результати дослідження можуть бути застосовані як в теоретичній так і в практичній сферах, тому що вони допомагають краще зрозуміти інвестиційну привабливість економіки Китаю і можуть бути використані в якості орієнтира для вливання коштів в економіку Китаю.

Ключові слова: інвестиційна діяльність, прями іноземні інвестиції, іноземний капітал, інвестиційна привабливість, конкурентоспроможність економіки.

ИНВЕСТИЦИИ В КНР: РЕАЛЬНЫЕ ЭКОНОМИЧЕСКИЕ ВОЗМОЖНОСТИ И ТРУДНОСТИ

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Эта статья направлена на изучение практических аспектов привлекательности экономики Китая. Значительное внимание уделяется привлеченным иностранным инвестициям и факторам, определяющим инвестиционную мощь и конкурентоспособность экономики Китайской Народной

Республики. Эти факторы называют экономической средой. К ним относятся следующие: а) макроэкономическая стабильность; б) уровень жизни и развития инфраструктуры; в) финансовая среда, условия ведения бизнеса и рабочая сила, и г) правительство и институциональные условия.

Предметом статьи является экономика Китая, включая тенденции потоков привлечённых прямых иностранных инвестиций, четыре сектора, формирующие способность инклюзивного и устойчивого экономического развития в течение длительного периода времени, а также возможности и трудности при вливании средств в экономику Китайской Народной Республики.

Целью данной статьи является изучение источников успехов и неудач в инвестировании в экономику Китая. Для достижения целей статьи используются теоретические методы научных исследований, в частности методы анализа и синтеза. Статья направлена на решение следующих вопросов: анализ тенденций привлечения прямых иностранных инвестиций, исследование процесса становления текущего могущественного инвестиционного положения страны, сравнение Китая с наиболее привлекательными получателями иностранного капитала в мире, а также контекстуализация динамики инвестиций, представленная в виде сравнения с наиболее привлекательными получателями ПИИ в азиатском регионе, и очерчивание рисков и возможностей вливания капитала в китайскую экономику.

В статье анализируется развитие инвестиционного потенциала Китая и изучается изменение позиций страны в глобальной и региональной экономике. В частности, было установлено, что инвестиционная привлекательность может быть контекстуализирована несколькими способами, такими как сравнение КНР с наиболее привлекательными получателями капитала в мире, а также среди азиатских стран, прослеживание динамики доли прямых иностранных инвестиций в объеме валового внутреннего продукта, а также доля инвестиций в китайскую экономику в общем объеме инвестиций в азиатский регион. При вливании средств в КНР, существует целый ряд возможностей и трудностей, которые следует иметь в виду. Например, инвестиционные проекты, направленные на зеленое производство, очистку воды и воздуха, дальнейшее внедрение инноваций в отечественную обрабатывающую промышленность, а также зеленое и инновационное строительство жилых помещений, скорее всего, будут поддержаны правительством. Что касается трудностей при инвестировании, к ним следует отнести чрезмерную бюрократизацию и коррупцию системы, нечеткое и противоречивое законодательство, а также специфическое сочетание рыночной и плановой экономики, которое требует непредвзятого восприятия экономического развития Китая.

Результаты исследования могут быть применены как в теоретической, так и в практической сферах, потому что они помогают лучше понять инвестиционную привлекательность Китая и могут быть использованы в качестве руководства для вливания средств в экономику Китая.

Ключевые слова: инвестиционная деятельность, прямые иностранные инвестиции, иностранный капитал, инвестиционная привлекательность, конкурентоспособность экономики.

WHY INVEST IN CHINA: PRACTICAL ASPECTS OF THE CHINESE ECONOMY ATTRACTIVENESS AND MOMENTOUS BOTTLENECKS

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This article aims at studying the practical aspects of the attractiveness of China's economy. Considerable attention is paid to inward foreign investments and factors determining the investment potential and competitiveness of the economy of the People's Republic of China. These factors are referred to as the environment. They are the following: a) macroeconomic stability; b) quality of life and infrastructure development; c) financial, businesses, and manpower conditions, and d) government and institutional setting.

The subject of the article is the economy of China including the trends in the inward flows of foreign direct investment, four sectors shaping the ability to inclusive and substantial economic development over long periods of time, and opportunities and challenges of injecting funds into the People's Republic of China.

The aim of the article is defined as the study of the sources of success and failure when investing in the economy of China and. To achieve the objective of the article, theoretical methods of scientific research, in particular analysis and synthesis, are used. The article aims at solving such research questions as: conducting the analysis of the trends in inward foreign direct investment, investigating the process of building up the current mighty investment positions by comparing China to the most attractive recipients of foreign capital in the world as well as contextualizing the dynamics of investments represented by the comparison to most attractive recipients in the Asian region, and identifying the risks and opportunities of injecting capital into the Chinese economy.

The article analyzes the development of the investment potential of China and studies the change of its positions in the global and regional economies. In particular, it was found that the investment attractiveness can be represented by several techniques such as comparing the PRC to the most attractive recipients, the rest of the globe, and Asian countries, tracing the dynamics of the share of foreign direct investment stock in the volume of the gross domestic product, and the share of investment in the Chinese economy in the total volume of investments in the Asian region. While injecting funds into the PRC, there is a range of opportunities, which should be kept in mind. For example, investment projects focusing on the green production, clean water and air,

further innovation of the domestic manufacturing industry, and environmentally friendly and innovative construction of housing commodities are most likely to be welcomed by the government and lead to success. As for the market bottlenecks limiting investors, they are excessive bureaucratization and corruption of the system, unclear and inconsistent legislation, and specific combination of the market and planned economy, which requires the unbiased perception of economic development of China.

The results of the research can be applied in both the theoretical and practical sections because they add to the better apprehension of China's investment attractiveness and can be deployed as a guide for injecting funds into the Chinese economy.

Keywords: investment activities, foreign direct investments, foreign capital, investment attractiveness, competitiveness of the economy.

Introduction. Robust growth of the economy of the People's Republic of China (PRC) is often believed to be most significant feature contributing to the investment attractiveness of the country. Occupying the positions of the second largest economy and being one of the most attractive capital inflow destinations in the world are the two features of the PRC proving that the policies of the domestic government are effective. Loads of scientific studies focused on the investigation of the factors of China's success, and significant progress has been achieved in this area. Moreover, the subject is of significant interest to the governments of the most developed countries such as the United States of America, the United Kingdom, and European countries, which are actively involved in the investment relations with China. Influential international organizations such the World Bank, the International Monetary Fund, the United Nations Conference on Trade and Development also focus on investigating the success of PRC. However, the primary issue is to determine the practical aspects of injecting funds into the Chinese economy and potential bottlenecks emerging while finding the gaps and opportunities for investing in this powerful giant.

Research objectives. The central objective of this article is to go beyond traditional theoretical approaches to defining the investment appeal and prospects of China such as focusing on cheap but, at the same time, highly skilled and competent labor, laws and regulations stimulating capital inflow, tax holiday for some categories of investment projects, operation of special economic zones, openness of the Chinese economy, high levels of infrastructure development, etc. Instead, the emphasis will be made on the market analysis with special attention paid to challenges and opportunities in order to obtain practical understanding of the investment process and its specificities in the case of the People's Republic of China.

Research method. The research objective will be achieved by analyzing the latest statistical data regarding the investment activities of the People's Republic of China and synthesis of the reports of the Government of the United States of America and the Asia Competitiveness Institute, the influential Asian organization focusing on studying the competitiveness of economies and their attractiveness. The primary emphasis will be made on inward investments as they represent the appeal of China's investment potential.

China's investment power. According to the UNCTAD reports on investment flows, foreign direct investment inflows in the Chinese economy rose from 3 487 millions of dollars in 1990 to spectacular 135,61 billion in 2015. That said, the volume of the attracted FDI skyrocketed and today it is almost 40 times the level of 1990. It can be easily explained by the Chinese governmental decision to open the domestic economy and go global as well as the international trend towards injecting funds into foreign economies. Moreover, China became the largest recipient of foreign capital as for the beginning of 2015 [1]. However, there are also other ways of contextualizing the growth of the FDI in China. The first two methods imply the representation of the investment attractiveness of the top capital recipients and the position of China amongst all countries. See figures 1 and 2 for details.

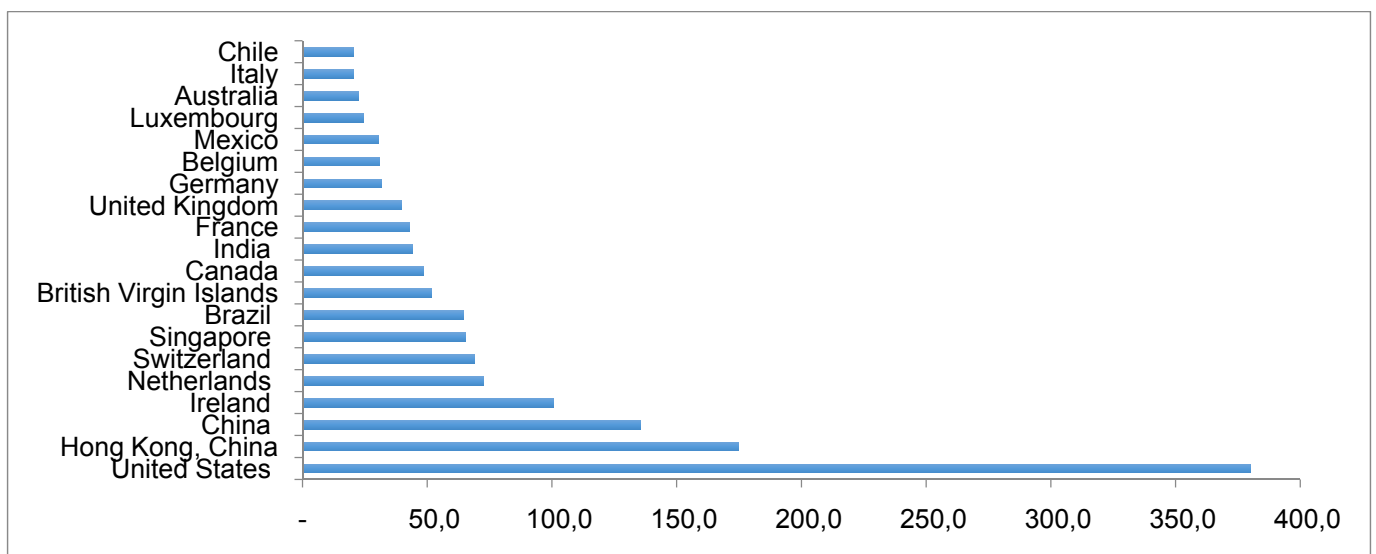


Figure 1. The most attractive FDI recipients, 2015, USD billions of dollars

Source: Constructed by the author on the basis of [1].

These figures are beneficial for recognizing that the economy of China is more attractive for the foreign investors than the most developed countries of Europe and even some groups of countries as the whole. It is paramount to point to the position of China in Asia as it makes almost one-third of the general volume of the attracted investments in this region of the globe. Together with Hong Kong, China, they would make up more a half of the FDI in the Asian region.

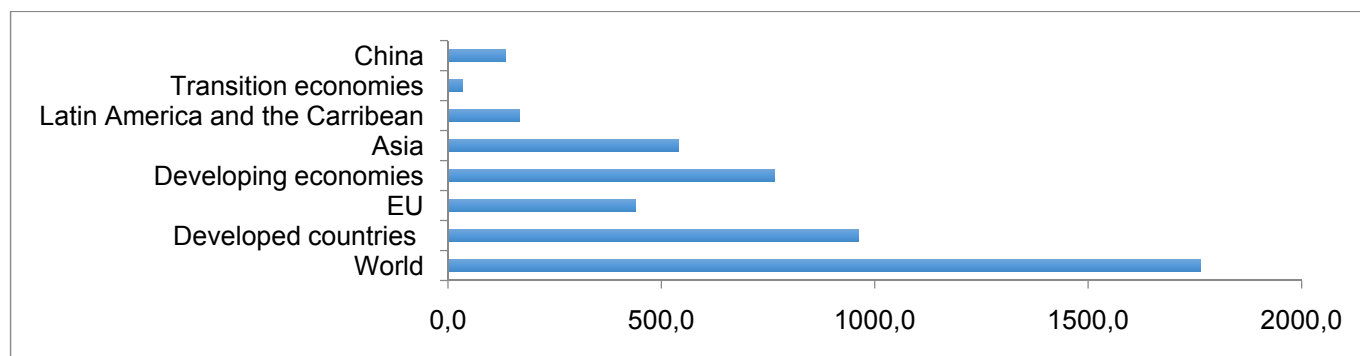


Figure 2. China and the rest of the world, 2015, USD billions of dollars

Source: Constructed by the author on the basis of [1].

One more tool for contextualization of FDI is to express the stock of FDI in the Chinese and its share as the percentage of the gross domestic product. UNCTAD data point to the dynamism of attracting foreign capital in the Chinese economy. However, the ups and downs of FDI share in GDP hint to the inability of preserving the balance between FDI inflows and spectacular growth rates of the Chinese economy (see table 1). Nevertheless, in accordance with the recent research of the organization, the People’s Republic of China will preserve its leading positions as an attractive destination for FDI inflow up to 2020 as a minimum. Even though investment prospects of the USA are considered to be higher, China is granted the second place in the forecasts [1]. Still, there is a chance of surpassing the leader one again.

Table 1. Inward FDI stock and share as a percentage of GDP, 1990-2015

	1990	1995	2000	2005	2010	2015
FDI Stock, bln	20,7	101,1	193,3	272,1	587,8	1 220,9
Share in GDP, %	5,2	13,8	16,0	11,9	9,8	11,1

Source: Constructed by the author on the basis of [1].

Other methods for contextualization of the Chinese investments are based on investigating the dynamism of the investment in the Chinese economy and Asia as the whole as well as some Asian countries. The idea is to compare it to the most attractive destinations of the region and determine how the share of China in the FDI inflow to the region changed over time. See tables 2 and 3 for detailed information.

Table 2. The dynamics of attracting FDI to Asia and the global inflows of FDI, 1995-2015, USD billions of dollars

Region/Country	1990	1995	2000	2005	2010	2015
Asia	22, 97	81,7	142,79	224,95	412,4	540,72
China	3,48	37,52	40,71	72,4	114,73	135,61
Hong Kong, China	3,27	6,21	54,58	34,05	72,32	174,89
Korea, Republic of	1,05	2,48	1,51	13,64	9,49	5,04
Taiwan Province of China	1 330,0	1 559,0	4 928,0	1 625,0	2 492,0	2 415,0
Singapore	5,57	11,94	15,51	18,09	55,07	65,26
India	0, 23	2,15	3,59	7,6	27,4	44,2
World	204,91	341,52	1358,82	950,13	1388,82	1762,16

Source: Constructed by the author on the basis of [1], [2].

Table 3. The share of China in FDI inflow to the Asian region, 1995-2015, %

Region/Country	1990	1995	2000	2005	2010	2015
Asia	22,97	81,7	142,79	224,95	412,4	540,72
China	3,48	37,52	40,71	72,4	114,73	135,61
Share, %	15,15	45,92	28,51	32,18	27,82	25,08

Source: Constructed by the author on the basis of [1], [2].

According to the UNCTAD data, the role of China in the region has been relatively stable since the Chinese government has reached the decision to open the economy and become involves in the global investment

processes. Even though there are other influential countries in the Asian region, China's positions are robust and the country remains the most attractive destination in Asia (omitting the fact of the Hong Kong attractiveness, as the autonomous territory surpassed the mainland in 2015).

Taking a closer look at the competitiveness of the economy. Measuring the competitiveness of the domestic economies is a real challenge. Nevertheless, there are some comprehensive approaches used for achieving the desired outcomes. One of the models centers on studying the performance of the economy within four sectors shaping the ability to inclusive and substantial economic development over long periods of time. These sectors are referred to as the environment. They are the following: a) macroeconomic stability; b) quality of life and infrastructure development; c) financial, businesses, and manpower conditions, and d) government and institutional setting. Furthermore, they are divided into sub-environments. For example, quality of life and infrastructure development stands for the level of physical and technological infrastructure development as well as educational opportunities and social welfare. Macroeconomic stability refers to investment attractiveness, openness to international economic operations, and economic vibrancy. As for government and institutional setting sub-environment, it implies governmental policies and fiscal sustainability. Finally, financial, businesses, and manpower conditions are related to labor markets, productivity, and business effectiveness [5].

Even though investment attractiveness is determined as one sub-environment, economic competitiveness is what, in fact, affects it. That said, there is a close interconnectedness between economic performance as the whole and investment potential because investors investigate all aspects (environments) mentioned above prior to injecting capital into foreign countries.

As for the competitiveness of the Chinese economy, the developer of the approach mentioned above, the Asia Competitiveness Institute, claims that China's economy is highly competitive. Even though some regions lag behind the others in the development of particular sub-environments, the overall trend is strong and the situation is nearly equal throughout the country. The country has become even more competitive when the decision to open the economy and become involved in the international economic relations. The general conclusion for the case of the People's Republic of China is that the higher the level of its economy's competitiveness the more attractive and powerful the country becomes from the perspective of foreign direct investments.

Investment opportunities. Except for traditional theoretical approaches to defining the investment attractiveness of the economy, there are several significant opportunities common to China. First of all, China as a part of the globalized world cannot but fall under the influence of the trends and developments in the global economy. As the global community has become more environmentally concerned, the issues of the green economy are becoming popular in China. In addition to the overall green consciousness, the country has been traditionally involved in mass production and manufacturing. Such specialization together with high rates of urbanization had a significant negative effect on the natural environment. Since recently, the Chinese government focused on introducing green technologies and environmental projects. Moreover, it has allowed foreign investments into the green sector [3]. It means that injecting funds into green society, healthy life, green economy, clean water and air, etc. are among the most attractive and promising investment projects.

In addition to focusing on the green effectiveness and reducing the impact on the natural environment, the Chinese government announced the further innovation of the domestic manufacturing industry and involving global know-how as the priorities of the Twelfth Five-Year Plan. Because the emphasis is made on neo-industrialization, investment projects offering sharing experience and transfer of technologies and innovations as well as investment in research and development are most likely to be successful greeted by the government [4].

Another investment opportunity is closely related to the two mentioned above. As the population of China is constantly growing, the government seeks the ways to provide it with necessary housing accommodations. However, the focus is made on innovative and green constructions of edifices [4]. It means that investment projects offering opportunities for meeting these requirements are also welcomed and the government is likely to support them. Still, it is paramount to note that the investment directions mentioned above are the governmental priorities so that injecting foreign capital in these sectors is recommendable due to high possibility of approval and benefits. Still, there are numerous other investment opportunities due to the availability of vast resources and potential for the further economic growth, but they require paying close attention to investigating the developments in the market as well as the needs of population and industries.

Investment and market bottlenecks. Even though China is an attractive destination for injecting foreign capital, some countries might choose to step away and invest into other economies. From the practical perspective, there are several significant challenges emerging when doing investing and doing business in China. First of all, regardless of the favorable tax regime established in the country, most legal procedures are still highly bureaucratic. Similar bureaucracy turns legal environment into opaque ones when it is impossible to determine the further plan of actions because law implementation procedures are, for the most part, inconsistent. Moreover, the system is corruptive, lacks transparency, and is unreliable. In addition to it, although the Chinese government claims to have shifted to the market-oriented and market-driven economy, the established mercantilist style policies are practiced protecting state-owned and local firms instead of granting equal rights to development to all companies operating within the domestic economy.

Another challenge is the fact that the economy of the PRC is the combination of the market and planned economy. The aforementioned desire to operate in accordance with the market forcers is vanished by the grim

reality of five-year plans and other attributes of the planned economy. Of course, this economic model is a unique phenomenon, and it has proven effective and productive, but sometimes it is complicated to understand the issue as well as promote the apprehension of free enterprises and competition. Foreign investors should be ready to work in such a specific economic environment.

Finally, foreign investors should take an unbiased look at the market challenges common to the economy of the PRC. Even though the government stimulates the inflow of the foreign direct investments and the resources of the country are vast, they are not limitless and it is hard to predict the complications such as failing to meet the standards or conformity issues, having a comprehensive understanding of laws and regulations, cooperating with local partners, etc. [4]. Paying significant attention to these challenges might help forward investment projects successful, especially those in the manufacturing industry and commodities, while ignoring them can be catastrophic.

Conclusion. As for now, the People's Republic of China is amongst the most attractive destinations for injecting foreign direct investments. Such a significant interest in the Chinese economy can be easily explained with the robust economic development, huge investment potential, high competitiveness of the economy, and some gaps, which can be easily filled with innovative, environmentally friendly, and construction projects. However, there are some significant market challenges, which should be taken into consideration and thoroughly studied prior to investing in order to guarantee the safety and profitability of the investment project. They include becoming familiar with the specificities of the economic drivers, legal environment, and specific standards and conformity issues.

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