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THE IMPACT OF THE FOREIGN DIRECT INVESTMENTS ON THE ECONOMIC DEVELOPMENT OF THE PEOPLE'S REPUBLIC OF CHINA

Key words: China, Foreign Direct Investments, Economic Development.

China has established itself on the world geopolitical and geoeconomic arena as a powerful and balanced player that has long-term goals and takes systematic tactical steps to achieve them. China's success in attracting foreign investments is one of the key factors that determined the country's rapid economic growth.

Moving on to the geographical structure of the distribution of foreign direct investments through the territory of the PRC, it is worth emphasizing that almost every city in China attracts a foreign investor. Nevertheless, the overwhelming amount of accumulated FDI falls on the three coastal provinces – Guangdong, Fujian and Jiangsu as well as on the largest cities – Beijing, Tianjin and Shanghai [1]. The cumulative share of accumulated foreign direct investment in the above-mentioned zones reaches almost 90% of all FDI in China. Among the main advantages of the coastal areas of the PRC in comparison with the internal territory, it can highlight directly the location near the ocean, which opens up broad prospects for entering the markets of third countries; a highly qualified workforce of its residents and a developed transport infrastructure.

The offshore zone of Hong Kong plays a leading role in the introduction of FDI. The main investor countries here are China, the United Kingdom and

Japan [4]. However, as the researchers point out, a significant part of the investment flowing into China through Hong Kong is illegally exported Chinese capital to obtain certain benefits from foreign investors. Hong Kong also acts as an intermediary for investment from Taiwan to mainland China, given Hong Kong's greater experience with the Chinese market and the restrictions imposed on direct investment for Taiwanese companies in the PRC. The vast majority of investments are directed on financial activities: holding, real estate, finance, insurance, banking, etc [2].

Asian countries making direct investment in China are targeting export-oriented industries because of the cheapness of labor in the secondary sector. Thus, they seek to maintain their positions in competitiveness due to the transfer of labor-intensive industries to China, which helps foreign direct investors achieve a reduction in the cost of finished goods. When investing, American and European direct investors are more guided by the breadth of the domestic market of the PRC, investing mainly in capital-intensive industries. Their primary goal is to consolidate their position in the promising Chinese market.

In the industry of the People's Republic of China, there is a direct connection between the level of complexity of production technology and the role of organizations involving foreign capital: the higher the stage of product processing, the more important role foreign capital plays. This factor is crucial for attracting high technology and closing China's gap with a number of advanced economies.

In the PRC, there is an industry principle for the distribution of FDI flows (encouragement or reduction) in industries which development is impossible without the experience of foreign investors: the use of modern technologies, modern equipment, management skills, knowledge of international markets, training of highly qualified personnel, and others [3]. This takes into account that the intervention of foreign capital in the industry should not harm the national security of China's economy.

In general, there is a significant increase in FDI from South Korea, the USA and Germany [1]. In addition, the data showed a significant increase in the inflow of FDI into high-tech industries.

Among the main reasons for the rapid growth of the Chinese economy today, in addition to the inflow of foreign direct investments, we can single out the active policy of expansion of Chinese capital to foreign markets. As one of the largest recipients of FDI, the Chinese government has been able to competently transform foreign capital for independent outward investment.

Table 1

FDI Stock of China, in million US dollars

	2017	2018	2019	2020	2021
Inward	1 489 956	1 628 261	1 769 486	1 918 828	2 064 018
Outward	1 809 037	1 982 266	2 198 881	2 580 658	2 581 800

Source: UNCTAD World Investment Report 2022. Available at: https://unctad.org/system/files/non-official-document/wir_fs_cn_en.pdf (accessed 15 November 2022).

World Investment Report 2022 data in table 1 shows that despite the Covid-19 pandemic, the assets of direct investors in China and Chinese investors abroad have constantly grown in value, while at the end of 2021, the assets of Chinese investors exceeded the value of foreign direct investors in China by 25% at the end of 2021.

Like many other states, the PRC mainly invests in countries with stable economies. According to this principle, the Chinese government chooses industries for capital investment that can bring the most benefits to the donor country and help increase prosperity. Another important factor that pushes Chinese enterprises to invest abroad is narrow domestic demand. The PRC is characterized by a high rate of capital savings, which limits the channels for the sale of products within the country, which, in conditions of overproduction, is a signal for companies to go abroad.

The insufficient development of the technological potential of mainland China can be counted among the microeconomic reasons for the intensification of investment abroad.

The Export-Import Bank of the People's Republic of China has identified key areas for investment [3]: extraction of natural resources to reduce the country's deficit; projects that stimulate the export of Chinese products, labor force, and technologies; opening of foreign research and development centers for the purpose of borrowing management experience and advanced technologies; intensification of mergers and acquisitions to improve the position of Chinese corporations on the world stage and facilitate their access to new markets.

The largest share of FDI goes to APR countries due to geographical and cultural proximity. Of these, about 85% of Chinese investment in Asia Pacific is concentrated in Hong Kong, which has been used as an offshore zone since the opening reform period. Latin America ranks second in terms of attractiveness for the Chinese investor. Only 6% of FDI from China goes to Europe. The US also has Chinese capital – 2%. Africa accounts for 4% of Chinese FDI, thanks to cheap labor and rich, untapped natural resources [1].

In the sectoral structure of the export of Chinese investments abroad, the business services sector prevails. As a rule, this refers to the leasing of construction and mining equipment, as well as aircraft and ships. Thus, the export of capital from the PRC is due to a number of objective reasons, such

as the search for new technologies, the shortage of natural resources, access to new markets, the increase in the cost of production factors in the country, and the strengthening of the yuan exchange rate. The intensification of capital outflow from China is due to the active participation of Chinese investors in projects related to energy and mineral development, trade, forestry, construction, infrastructure projects and the service sector.

Sustained growth in FDI has been observed despite increasing domestic and external uncertainty caused by a number of factors, including the outbreak of COVID-19. The slight slowdown in growth in 2022 is due to the impact of measures to contain the spread of COVID-19 introduced in several areas of the country, but this impact is likely to be short-term.

Over a decade of reform and opening up, China has accumulated many advantages as a destination for foreign investment. A huge domestic market, significant rates of economic growth, integrated industrial system, efficient infrastructure, highly educated personnel, as well as the application of new technologies are all part of China's investment attractiveness.

It can be noted that the main advantages of the investment climate of the PRC are: the largest domestic market in the world, the availability of natural resources and low production costs, relatively low wages, developed infrastructure, growing economy, stability of the exchange rate, benefits and preferences for foreign investors. However, despite China's significant investment attractiveness, there are many investment risks, including lack of transparency and corruption, weak protection of intellectual property, difficult environmental situation in many cities, neglect of human rights and cultural differences in business practices, which creates difficulties for foreigners entering the Chinese market.

However, the experience of previous years clearly shows the willingness of the Chinese government to develop the investment activities of companies in the country and abroad, continuing various reforms aimed at improving the state's investment climate.

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УРБАНІЗАЦІЯ КИТАЮ: ФЕНОМЕН ЧИ ЗАКОНОМІРНІСТЬ?

Ключові слова: урбанізація, розвиток, економіка, агломерація, місто.

Сутність урбанізації полягає в розвитку трансформацій в економічній, соціальній та просторовій структурах країни [3, с. 97]. Зростає роль міст, які все більше притягують людину, бо значно краще за сільські населенні пункти мають можливість задовольнити її потреби. Тому закономірним вважається те, що ріст міст все більше відбувається за рахунок міграції, чим природного приросту населення [2, 6]. Адже нерівномірність соціально-економічного розвитку різних регіонів країни обумовила відтік населення з менш розвинених регіонів у більш розвинені регіони. Спочатку даний процес не позначається настільки негативно на розвитку того чи іншого регіону в межах країни. Це відбувається до тих пір, поки еміграція не набуває масового характеру. Урбанізація в Китаї обумовила дані зміни та розвиток агломерацій, посиливши їхні функції, перетворивши дані міста в глобальні міста, регіональні та національні центри, обумовивши депопуляцію та старіння трудових ресурсів у сільських населених пунктах [7]. Проблема депопуляції в сільських населених пунктах ставить під сумнів стійкість урбанізації в Китаї [4].

Ще однією особливістю урбанізації Китаю є швидкість, з якою відбувається урбанізація країни. Лише за період 1978–2021 рр. міське населення Китаю зросло з 172,45 млн. осіб у 1978 р. до 892,98 млн. осіб у 2021 р. з середньорічним приростом на 16,76 млн. осіб. Як наслідок, рівень урбанізації країни зріс з 17,9% до 62,5 %, із середньорічним