

## **CROSS-BORDER INVESTMENT POLICY OF CHINA**

With the reform and opening up and the continuous enchantment of China's economic strength, China has changed its image as one of the largest capital importers in the world, and gradually deepened its cross-border investment and openness to the world. Since the implementation of the «going global strategy», China enterprises have been increasing their investment in the field of foreign investment, both in terms of amount and quantity. China has attracted worldwide attention in the field of foreign investment and occupies a very important position in the world.

With the passage of time, China has gained more experience in foreign investment, and the government's management and supervision system for overseas investment has become increasingly perfect. Accordingly, on order to support investment projects with comparative advantages, China has provided a perfect foreign investment service system.

In the new era, the rapid development of foreign direct investment also presents some new characteristics:

1. Two-way investment tends to be balanced. In 2014, the volume of China's cross-border investment was only \$3,56 bln less than that of China's attracted foreign direct investment in the same period, which was the first time when China's two-way investment approached balanced according to the existing statistical criteria. In 2015, China's cross-border investment exceeded the amount of foreign direct investment for the first time, becoming a net capital exporter. In 2017, China's cross-border investment has been higher than the amount of foreign direct investment for three consecutive years, and China's two-way investment entered a new stage of balanced development.

2. The development of FDI is huge. According to UNCTAD data, by the end of 2017, China FDI was \$1809,04 bln, accounting for less than 5,9 % of the world's FDI. Compared with the developed countries, there is still a large gap and a huge space for growth. It is predicted that by 2020 China FDI stock in the world will soar up to \$2 trln, with great development potential.

3. The continuation of the optimization the industrial and regional structure of cross-border investment. In the recent years, leasing and business service industry, mining industry, wholesale and retail industry have become the main areas of China cross-border investment. The industrial structure of cross-border investment has become increasingly diversified, and non-recourse investment increased significantly. From the perspective of regional structure, China cross-border investment has increased significantly in Latin America and Africa in the past five years, which to a certain extent has dispersed the proportion of Asia.

According to the statistics from the Ministry of Commerce and the State Administration of foreign exchange, in 2016, China's domestic investors made direct investment of \$183,2 bln in 7961 overseas enterprises in 164 countries and regions

around the world, ranking the second in the world including non-financial investment of \$170,1 bln, a year-on-year increase of 44,1 %, more than twice the growth rate of 15 % in 2015. In 2017, China's outward foreign direct investment reached \$158,29 bln, down 19,3 % year-on-year, with the negative growth for the first time, but it was still the second highest in history, and irrational foreign direct investment has been effectively curbed.

In the context of the Chinese government's strong support of foreign investment, the volume and quantity of China's overseas investment have shown a huge growth trend. China's openness and internationalization are also accelerating. Facing the increasingly open and competitive global market, there are still many ways to go for China's overseas investment.

1. The Chinese government needs to constantly improve the policy system of foreign investment.

At present time China's economy has entered the new normal, and economy growth rate changes have shown a downward trend. At the stage of China's economic transformation, China's foreign investment faces greater challenges. The Chinese government experience corresponding policies and measures to ensure the normal and stable foreign investment, and at the same time, promote the smooth implementation of the «going out» strategy.

2. China should actively strive for more international financial support.

In order to realize the long-term development and stable growth of China's overseas investment, China needs to rely not only on the financial support of the Chinese government but also strives for more international financial support with help of external investors.

3. The structure of China's overseas investment should be changed in due time.

At present time the investment in oil, natural gas and black metal accounts for 40 % of China's overseas investment. This shows that China's overseas investment focuses on energy resources, and also reflects China's high demand and dependence on such types of energy. However, such foreign investment is not sustainable, because resources are limited. Therefore, China should change the structure of foreign investment and gradually shift its focus to the new choices using comparative advantages. Dealing with different countries and different investment opportunities, China should give the full play of its comparative advantages and adopt appropriate investment forms for cooperation.

Moreover, global investment has shifted to services. At the same time the global industrial structure turns to service economy. Therefore, China should speed up both inwards and outwards foreign investments into the high-end service industry, improve the overall level and quality of service industry, and promote the renewable and iteration service industry. Inly in this way China grasp the dividend of service transformation under the world investment trend.

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