Abstract. The authors consider the current economic potential of China, which is one of the largest recipients of foreign direct investments in the world and plays a leading role in the world trade. China is among the largest recipient as well as exporters of foreign direct investments in the world. In 2015-2016, there was a further increase in the number of foreign investment projects being implemented in China, although overall growth in FDI has been declining since 2011. It should be noted that starting from 2010, the tendency of exceeding the volumes of Chinese investments in the EU over EU's investments in China remains.

Factors of China’s investment attractiveness have been singled out and analysed, namely: weakening of the Yuan; stimulation of domestic consumption and investment; preservation of a relatively low level of domestic prices in relation to prices in the USA and among the leading Asian exporters of industrial products; harmonization of the country's legislation with WTO requirements.

The results of the analysis of GDP growth rates of China, USA and Kazakhstan for 2011-2015 show that China's GDP growth rates are almost five times higher than Kazakhstan's ones, and three times higher than USA's ones. It is advisable to agree with the forecasts concerning the preservation of the growth rates of the Chinese economy by 6-7% annually until 2030 if the current trends of the world economic development remain.

Keywords: Investments; Import; Export; Workforce; Trade; China; The European Union; USA; Kazakhstan

JEL Classification: F14; L51; M30; N15; Q10

DOI: https://doi.org/10.21003/ea.V163-07

Economic rationale for the investment attractiveness of China at present
Экономическое обоснование инвестиционной привлекательности Китая на современном этапе

Аннотация. Авторы рассматривают современный экономический потенциал Китая, который является одним из крупнейших реципиентов и экспортёров прямых иностранных инвестиций в мире и играет ведущую роль в мировой экономике. China has signed cooperation agreements in terms of production facilities with more than 20 countries in the framework of implementing the Belt and Road Initiative. As Ning Zijide, Deputy Head of the National Development and Reform Commission, Head of the National Bureau of Statistics of China, reported, the People’s Republic of China had signed similar agreements with Kazakhstan, Ethiopia, Brazil and other countries.

1. Топик

Since the China’s economy became open after the country’s accession to the World Trade Organisation in 2001, this state has taken the lead in trade and foreign direct investment in the global economy. China has signed cooperation agreements in terms of production facilities with more than 20 countries in the framework of implementing the Belt and Road Initiative. As Ning Zijide, Deputy Head of the National Development and Reform Commission, Head of the National Bureau of Statistics of China, reported, the People’s Republic of China had signed similar agreements with Kazakhstan, Ethiopia, Brazil and other countries.

In the process of its huge expansion in world trade and investment activity since the turn of the 20th century, China has significantly expanded its economic and financial ties with the CIS countries. These China’s initiatives are part of a more general “going out” strategy to establish trade and financial relations with a number of developing regions of Southern Africa, and Central and Southeast Asia, as well as developing regions of Kazakhstan (Yang Zhao, 2010).

The importance of such evolving relationships for both China and the CIS countries clearly manifested itself in 2014, when new lending incentives for developing countries in respect of the BRICS states (Brazil, Russia, India, China and South Africa) were formalised in the municipality of Fortaleza, Brazil.
are (Zhao Cen Yu, 2006). Under the conditions of the underdeveloped and highly politicised legal system of the People's Republic of China, it is difficult to expect that new laws compatible with the WTO Agreements will be implemented quickly and effectively.

2. The novelty consists in a comprehensive study of China's economic potential and an analysis of the use of such potential in developing competition policies at the global level.

3. The purpose is to conduct a comprehensive study of China's economic potential at the current stage, to analyse major development factors and to justify the results of China's economic development at the global level.

4. Objectives

The purpose of the research suggests the performance of the following tasks:

- an analysis of the development of China's economy at the current stage;
- identification of constraints and ways to develop China's competitive environment on the world stage;
- an analysis of China's investment framework;
- an analysis of China's resource potential;
- an analysis of international cooperation between China and other countries.

The theoretical relevance of the research consists in the fact that its theoretical assumptions can be used while studying the subject of international management with regard to the development of the country's macroeconomy.

The empirical significance of the paper is that the obtained results can be used for further research of the Chinese economy and assessment of investment cooperation between China and other countries around the world.

5. Brief Literature Review


6. Results

It has been 63 years since the founding of the People’s Republic of China. In 1949, the PRC was an underdeveloped, semi-feudal and semi-colonial country with the «dead» economic system. Total devastation and absolute poverty were the only attributes of the country's economic development at that time.

If we make an analysis of the contemporary macroeconomic state of the country, we should pay attention to the pace at which GDP grows (Table 1).

Table 1 shows that China's GDP volume is lower than the GDP volume of the USA by USD 7,081 trillion. Nevertheless, China's GDP is secured by steady growth; over the past 5 years, the growth rate has been approximately 145.0%. This figure is 0.8 times greater than the figure that corresponds to the GDP growth rate of the USA, which confirms the development forecasts for China’s economy with regard to its leading position in the world economy.

The pace at which GDP grows in China according to the World Bank database, compared to the GDP growth rates of the USA and the Republic of Kazakhstan, is shown in Figure 1.

The analysis of China's GDP growth rate in the period of 2011–2015 once again proves the country's effective development. These data also indicate that the GDP growth rate of the USA is 5 times less than China's GDP growth rate.

Previously made forecasts can already be justified by factors, such as (Shelukhin, 2010):

- the current state of stable macroeconomic conditions in the country;
- the competitiveness of the national economy;
- the favourable investment environment;
- the appropriate economic policy.

We have seen a gradual emergence of an integrated industrial system which makes it possible to successfully undertake a comprehensive mapping of different export enterprises in cooperation with industrialised countries or to execute an independent introduction of technically complex productions by promoting the development of R&D and implementing the results of research and development activities (Lin, 2013). A rise in the value of Chinese export also means a possible rise in the share of raw materials and fuel in the Chinese import, which is in addition to the rising supplies in order to support the consumer revolution (Tomberg, 2012).

Intensive attraction of foreign capital through the creation of enterprises with the participation of foreign companies plays an important role in solving longstanding social and economic problems. According to the statistical data of the Ministry of Commerce of the People's Republic of China relevant to the period from January until October 2012, 20,021 new enterprises with the participation of foreign capital were established in China; the volume of actual foreign investment during the same period amounted to USD 91,736 billion*. These two indicators decreased by 10.49% and 3.4% respectively, if compared to the year 2011.

During the period from January to October 2012, 15,852 new enterprises with the participation of capital from 10 Asian countries and regions (the Hong Kong SAR, the Macau SAR, Taiwan Province of China, Japan, the Philippines, Thailand, Malaysia, Singapore and the Republic of Korea) were established in China, which is by 12.21% less than in the year 2011. The volume of actual foreign investment was USD 78,028 billion, a decrease of 4.72%. The number of new enterprises with the participation of the US capital was 1,128, which showed a decrease of 6.39%; the volume of American investment was USD 2,704 billion, an increase of 5.33%.

27 EU member states invested USD 5,236 billion (a decrease of 4.95%) in the creation of 1,418 new enterprises (an increase of 2.75%).

During the period from January to October 2012, the following 10 countries were leading in terms of the amount of investment made in China: Hong Kong SAR (USD 57,434 billion); Japan (USD 6.08 billion);

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- Japan (USD 6.08 billion);

*http://data.worldbank.org/indicator/NY.GDP.MKTP.CD
*http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG


WORLD ECONOMY AND INTERNATIONAL ECONOMIC RELATIONS

Tab. 1: Dynamics of China’s and USA’s GDP in the period of 2005-2015 (USD trillion)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure of GDP for the PRC (USD trillion)</td>
<td>5,059</td>
<td>6,040</td>
<td>7,492</td>
<td>8,462</td>
<td>9,491</td>
<td>10,351</td>
<td>10,866</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure of GDP for the USA (USD trillion)</td>
<td>14,419</td>
<td>14,964</td>
<td>15,518</td>
<td>16,155</td>
<td>16,663</td>
<td>17,346</td>
<td>17,947</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig. 1: GDP growth rates of the People’s Republic of China, the United States of America and the Republic of Kazakhstan, %

Source: compiled by the authors based on statistical data of the World Bank database


WORLD ECONOMY AND INTERNATIONAL ECONOMIC RELATIONS
The aforementioned countries accounted for 91.04% of the total volume of foreign investment in China.

This was referred to during the Shanghai Forum «China and Europe - partnership, cooperation and mutual benefit: Chinese enterprises enter Europe». In 2010, Chinese companies invested USD 5.96 billion in EU member states, which exceeded the total volume of the EU investment in China equal to USD 5.57 billion, which indicated a new turn in history. During the period of 2011-2012, under the influence of the international financial crisis and the eurozone debt crisis, the volume of Chinese investment in Europe fluctuated and accounted for USD 7.56 billion and USD 6.12 billion, respectively; meanwhile, EU member states invested only USD 2.29 billion and USD 2.69 billion in China. Predictably, the trend towards the excess of China’s investment in the EU over the EU investment in China will persist.

According to the statistical data of the Ministry of Commerce of the People's Republic of China, by the end of 2012 Chinese companies had invested USD 31.5 billion altogether in the European Union economy, creating almost 2,000 enterprises and 42,000 jobs in EU member states.

Chinese companies consistently increase volumes and expand the scope of investment in EU member states, which is appreciated and welcomed in some of the countries in the European Union. Currently, those countries are dealing with the task of creating favourable conditions for investment.

However, according to the latest data of the General Administration of Customs of the People's Republic of China, in 2015 China’s foreign trade turnover decreased as compared to the same month of 2014. In 2015 China’s foreign trade turnover was USD 340.95 billion, which indicated a new turn in history. During the period of 2011-2012, under the influence of the international financial crisis and the eurozone debt crisis, the volume of Chinese investment in Europe fluctuated and accounted for USD 7.56 billion and USD 6.12 billion, respectively; meanwhile, EU member states invested only USD 2.29 billion and USD 2.69 billion in China. Predictably, the trend towards the excess of China’s investment in the EU over the EU investment in China will persist.

In the new century, the growth rates of world exports exceeded economic growth almost in every part of the world. The ratio of exports to GDP increased in China as well. Nevertheless, the country withstood the 2009 global crisis in world trade relatively easily. It should be reminded that in 1997 the ratio of China’s foreign trade to the country’s GDP was 42% (converted at foreign exchange) and slightly decreased in the next two years. In 2008, the same indicator was 57%, while the export quota was equal to almost 30%.

It can be concluded that China’s economy is even less dependent on foreign trade than it was observed in the years of the Asian financial crisis. Obviously, this is attributable to a new dimension of the economy: investment and consumer demand inside the country is gradually becoming the main driving force of development, including as a result of the adequate anti-crisis measures. Thus, the so-called «export quota» appeared to be misleading (insufficient) (Wenlang He, 2010).


Table 2 reflects in brief the major events related to the history of the tariff setting procedure in China (Chang Hong, 2013). In 1951, China initiated its first customs import and export tariffs at tariffs relevant to 939 paragraphs which covered categories and 89 groups. The arithmetic mean of the tariff rate was higher than 52.9%: approximately 92.3% for agricultural products and 47.7% for manufactured goods.

Table 2: Level of domestic prices compared to prices in the USA, %

<table>
<thead>
<tr>
<th>Countries</th>
<th>2000</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>40.3</td>
<td>42.1</td>
<td>43.4</td>
<td>47.6</td>
<td>54.7</td>
<td>54.0</td>
<td>58.1</td>
</tr>
<tr>
<td>India</td>
<td>30.3</td>
<td>33.3</td>
<td>32.9</td>
<td>36.9</td>
<td>36.4</td>
<td>33.6</td>
<td>41.2</td>
</tr>
<tr>
<td>Indonesia</td>
<td>33.3</td>
<td>40.5</td>
<td>47.5</td>
<td>51.6</td>
<td>56.3</td>
<td>56.3</td>
<td>68.4</td>
</tr>
<tr>
<td>Thailand</td>
<td>40.0</td>
<td>39.6</td>
<td>42.9</td>
<td>47.5</td>
<td>50.0</td>
<td>49.0</td>
<td>54.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>42.7</td>
<td>39.5</td>
<td>43.2</td>
<td>48.2</td>
<td>52.8</td>
<td>49.6</td>
<td>54.1</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>65.9</td>
<td>77.0</td>
<td>79.9</td>
<td>81.5</td>
<td>69.1</td>
<td>63.0</td>
<td>71.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>44.4</td>
<td>45.8</td>
<td>47.6</td>
<td>51.6</td>
<td>56.3</td>
<td>56.3</td>
<td>67.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>72.5</td>
<td>60.1</td>
<td>56.8</td>
<td>54.6</td>
<td>54.6</td>
<td>51.7</td>
<td>52.3</td>
</tr>
<tr>
<td>Vietnam</td>
<td>69.5</td>
<td>64.8</td>
<td>66.7</td>
<td>72.3</td>
<td>76.2</td>
<td>72.2</td>
<td>77.5</td>
</tr>
<tr>
<td>Japan</td>
<td>26.4</td>
<td>29.7</td>
<td>30.6</td>
<td>32.1</td>
<td>37.7</td>
<td>37.7</td>
<td>38.3</td>
</tr>
</tbody>
</table>

Table 3 reflects in brief the major events related to the history of the tariff setting procedure in China (Chang Hong, 2013). In 1951, China initiated its first customs import and export tariffs at tariffs relevant to 939 paragraphs which covered categories and 89 groups. The arithmetic mean of the tariff rate was higher than 52.9%: approximately 92.3% for agricultural products and 47.7% for manufactured goods.

Based on the experience of the past decade, we can observe another important process: adjustment of the level of relative domestic prices set by the leading Asian exporters of industrial products (Table 2).
structure was made more adjustable to the country’s economic development. According to the adjusted structure, the tariff rates were 27.2% for intermediate goods, 31.2% for capital goods and 62.6% for consumer goods. The average tariff rate was lowered to 38%, including a rate of 43.6% for agricultural goods and a rate of 56.9% for manufactured goods (Woo, Thye, Ren, 2001).

In 1986, China submitted an application to renew its membership of GATT at the beginning of the Uruguayan round of negotiations. During the 1985-1992 period, the tariff rates were regularly adjusted, however on a small scale: approximately 83 items had reduced tariff rates, whereas 140 paragraphs indicated an increase. In 1992, China adopted a harmonised commodity description and coding system (HS) and introduced the Third Table of customs import and export tariffs. There happened to be large-scale changes in commodity categories, however with slight changes in the tariff rates. The average tariff rate remained high, 42.5%.

In 2013, the foreign trade balance of the Republic of Kazakhstan was USD 131.4 billion, which is by 1% less if compared with the previous year2. Meanwhile, the exports from the Republic of Kazakhstan decreased by 4.6% and accounted for USD 82.5 billion, whereas the country’s imports increased by 5.4% and amounted to USD 48.9 billion. In 2013, energy prices dropped, which is attributed to a decrease in crude oil prices by 2%. The notional price of one ton of crude oil exported from Kazakhstan dropped, if compared to the previous year, by 2% and was USD 810 per ton.

The volume of processed exports in 2013, when compared to 2012, decreased by 9%, or USD 1.8 billion. Such a reduction was due to a decrease in exports of:
- gold - by 48% (from USD 861.5 to USD 445.8 million),
- silver - by 35% (from USD 987 to USD 643 million),
- hard coal - by 24% (from USD 752.3 to USD 571 million),
- wheat - by 22% (from USD 1.6 to USD 1.2 billion),
- zinc - by 15% (from USD 352.2 to USD 455.6 million),
- flat-rolled iron products - by 8% (from USD 1.3 to USD 1.2 billion),
- ferroalloys - by 9% (from USD 1.9 to USD 1.7 billion),
- flour - by 4% (from USD 600.6 to USD 575 million),
- iron ore and concentrate - by 3% (from USD 1,612.6 to USD 1,561.5 million).

Traditionally, intermediate products make up a significant share in the volumes of processed exports. The geographical structure of processed exports did not undergo any considerable changes. The major share of processed exports of the Republic of Kazakhstan (68%) falls on the EU, China and the Customs Union countries.

If we consider economic cooperation between Kazakhstan and China, we can see both the growth in bilateral trade and the presence of Chinese manufacturers in a number of sectors of Kazakhstan’s economy. Of course, China is not the only partner of Kazakhstan on the external economic arena. According to data provided by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, the share of goods imported from China in the market of Kazakhstan in 2013 was USD 8,192.7 million, or 17% of total imports. In 2013, Kazakhstan’s processed export to China was USD 4.2 billion, an increase of 0.5%, if compared with 2012. Refined copper and copper alloys account for much of the country’s exports (37%). In addition, the export of uranium increased by 31%, if compared with 2012, and was USD 1.3 million. The delivery of zinc increased by 2%

Kazakhstan’s exports to China increased by 0.31% in 2013, which ensures a steady state of economic relations during the period under review.

7. Conclusions

Today, quite a number of analysts and researchers reasonably argue that in the near future China may occupy the leading position on the world stage and surpass the USA in terms of economic growth. Nowadays, China is able to compete in virtually all sectors of the economy. Let us take

<table>
<thead>
<tr>
<th>Year</th>
<th>Tariff reform in China</th>
<th>Arithmetic mean of tariff rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>First table of customs import and export tariffs 52.9</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>Second table of customs import and export tariffs 38</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>China submits an application for renewal of full membership of GATT 23</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>Third table of customs import and export tariffs 42.5</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>Largest unilateral lowering of tariff rates since the founding of the PRC; the Minister of Trade of the People’s Republic of China sets a limit cutting the maximum level down below 15%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>China becomes a member of the WTO 13.66</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>End of tariff transitional period in the WTO 9.87</td>
<td></td>
</tr>
</tbody>
</table>

Source: Chang Hong, 2013

Table 5 shows that Kazakhstan’s exports to China increased by 0.31% in 2013, which ensures a steady state of economic relations during the period under review.

Thus, based on the conducted analysis of import and export relations between Kazakhstan and China, we can draw an unambiguous conclusion on the stability of economic growth in both countries and their stable policies of support to bilateral trade relations.

7. Conclusions

Today, quite a number of analysts and researchers reasonably argue that in the near future China may occupy the leading position on the world stage and surpass the USA in terms of economic growth. Nowadays, China is able to compete in virtually all sectors of the economy. Let us take

Table 4: Amount of Kazakhstan’s imports from China in the period of 2010-2013 (USD million)

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altogether</td>
<td>30,835.5</td>
<td>37,055.8</td>
<td>46,358.7</td>
<td>48,872.5</td>
<td>100</td>
</tr>
<tr>
<td>China</td>
<td>3,964.5</td>
<td>5,021.1</td>
<td>7,444.8</td>
<td>8,192.7</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on data provided by the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan

Table 5: Structure of Kazakhstan’s processed export to China (USD million)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refined copper</td>
<td>1,389.6</td>
<td>1,567.3</td>
<td>11,3779</td>
</tr>
<tr>
<td>Uranium</td>
<td>1,336.6</td>
<td>1,327.8</td>
<td>-0.6627</td>
</tr>
<tr>
<td>Ferroalloys</td>
<td>482.9</td>
<td>474.7</td>
<td>-7.2741</td>
</tr>
<tr>
<td>Zinc</td>
<td>276.5</td>
<td>283.0</td>
<td>2.9268</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>323.3</td>
<td>377.5</td>
<td>-92.1408</td>
</tr>
<tr>
<td>Other</td>
<td>387.5</td>
<td>384.9</td>
<td>-2.655</td>
</tr>
<tr>
<td>Altogether</td>
<td>6208.4</td>
<td>6228.2</td>
<td>0.317909</td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on data provided by the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan.
China is no longer attributed to mass consumption goods; it is associated with the production in response to the market demand, adoption of new technologies at affordable prices. The appropriate external economic policy has determined the development of China on the world stage as of a market with the most rapidly developing elements of both stability and competition (Berger, 2009).

The major parameters of the country’s development until 2050 remain quite favourable. According to the official forecast by the National Bureau of Statistics of the People’s Republic of China made in agreement with researchers from the Institute of Economics of Peking University, the country’s economic growth until 2030 is projected at a level of 7.2% annually in the absence of force majeure both in politics and business (Zhudzun, Kovalov, Novik, 2008).

Given that China is a continental bridge for Kazakhstan, it is recommended to determine key priorities with regard to the implementation of the mechanism of interaction between Kazakhstan and China in the field of trade and economic relations which determine the need to strengthen economic integration. This integration can contribute to political stability, sustainable development, an increase in flows of investment in Kazakhstan, mutual capital flows to other countries, etc.

References


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