PRACE NAUKOWE
Uniwersytetu Ekonomicznego we Wrocławiu

RESEARCH PAPERS
of Wrocław University of Economics

Nr 413

Dimensions of Regional Processes in the Asia-Pacific Region

edited by

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Publishing House of Wrocław University of Economics

Wrocław 2015

Copy-editing: Marta Karaś

Layout: Barbara Łopusiewicz

Proof-reading: Barbara Cibis

Typesetting: Beata Mazur

Cover design: Beata Dębska

Information on submitting and reviewing papers is available on websites
www.economia.ue.wroc.pl
www.wydawnictwo.ue.wroc.pl

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Wrocław 2015

ISSN 1899-3192
e-ISSN 2392-0041

ISBN 978-83-7695-569-8

The original version: printed

Publication may be ordered in Publishing House
ul. Komandorska 118/120, 53-345 Wrocław
tel./fax 71 36-80-602; e-mail: econbook@ue.wroc.pl
www.ksiegarnia.ue.wroc.pl

Printing: TOTEM

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Introduction

Asia and Pacific's growing importance to the rest of the world is widely acknowledged today. The dynamics of Asian economic development have tremendously impacted global trade relationships and regional cooperation. Thus, it is with great pleasure that we deliver another volume of Research Papers on Asia-Pacific economic issues.

This year we present 19 papers by various authors who examine the Asia-Pacific region from different perspectives. We decided to group them into 3 Chapters:

- Cooperation and trade
- Economy and policy
- Risks & challenges

Papers grouped in the First Chapter describe newly emerging regional trade architecture. You will find there a few analyses of general nature and regional scope (J. Dudziński, A. H. Jankowiak, E. Majchrowska) and some studies on specific trade agreements (A. Klimek writes about Shanghai Free Trade Zone, A. McCaleb and G. Heiduk try to find out what motivates China's cities to establish partner agreements with cities in Asia, B. Michalski analysing U.S.-Republic of Korea Free Trade Agreement, while M. Maciejewski and W. Zysk look for opportunities for Polish exports in the trade agreement between EU and Vietnam).

The Second Chapter is the most diverse one. It is devoted mostly to economic policy issues (including financial sector). S. Bobowski, L. Zyblikiewicz and K. Żukrowska look at the main threads in Asian regionalism. P. Pasierbiak and K. Łopacińska analyse the movements of Chinese capital. M. Dziembała and S. Mazurek deal with the subject of innovation supporting growth and development.

Articles in the Third Chapter are focused on extraordinary events influencing economies and development of the Asia-Pacific region. J. Pera prepared an assessment of risk of APEC countries, based on the country risk classification method and selected indexes of internal stability. A. Kukułka and B. Totleben analyse the impact of natural disasters on gross capital formation in Southeastern Asia. Finally, T. Serwach and M. Grabowski and S. Wyciślak deal with synchronization of business cycles and contagion of crises.

We sincerely hope that all the articles will be of great value to those who want to understand the role of Asia-Pacific economies in the global economy. Through various interests of authors, our volume provides a valuable insight into the problems of this region.

All the papers where submitted for the 8th international scientific conference "Dimensions of Regional Processes in the Asia- Pacific Region" which took place in

November 2015 at Wroclaw University of Economics, under the patronage of Polish Ministry of Foreign Affairs, Ministry of Science and Higher Education and the Ministry of Economy.

We appreciate your time and consideration, and we look forward to the submission of your own good work. We also appreciate the time and effort of our peer reviewers. Thank you!

Bogusława Drelich-Skulska, *Anna H. Jankowiak*, *Szymon Mazurek*

PRACE NAUKOWE UNIWERSYTETU EKONOMICZNEGO WE WROCŁAWIU
RESEARCH PAPERS OF WROCŁAW UNIVERSITY OF ECONOMICS nr 413 • 2015
Dimensions of Regional Processes in the Asia-Pacific Region ISSN 1899-3192
e-ISSN 2392-0041

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DEVELOPMENTS OF CHINESE FOREIGN DIRECT INVESTMENTS IN THE ASEAN (2000-2013)

ROZWÓJ ZAGRANICZNYCH INWESTYCJI BEZPOŚREDNICH CHIN W ASEAN (2000-2013)

DOI: 10.15611/pn.2015.413.12
JEL Classification: F15, F21, F23

Summary: The aim of the research is to identify and analyse the most important changes that took place in investment activities of Chinese corporations in ASEAN member states in the years 2000-2013. China seems to implement its strategy of bottom-up economic integration with countries of the region and increases its trade and investment activity in Southeast Asia. On the basis of statistical data available, the author presents the process of growing China's investment involvement (in the form of FDI) in ASEAN and the most important motives that guide the Chinese corporations in their investment decisions. High growth rate of China's direct investments in ASEAN makes this country an increasingly important investor in the Association. In addition, a characteristic feature of the Chinese FDIs into ASEAN is greater, than for developed countries, investment involvement in the less developed countries of ASEAN-4.

Keywords: China, ASEAN, FDI, economic co-operation.

Streszczenie: Celem badań autora niniejszego opracowania jest wskazanie i analiza najważniejszych zmian, jakie miały miejsce w aktywności inwestycyjnej chińskich korporacji w ich działalności prowadzonej w krajach ASEAN w latach 2000-2013. Chiny realizując strategię oddolnej integracji ekonomicznej z krajami regionu, zwiększają aktywność handlową i inwestycyjną w Azji Południowo-Wschodniej. Na podstawie dostępnych danych statystycznych autor przedstawia proces wzrostu zaangażowania inwestycyjnego Chin w ASEAN (w formie zagranicznych inwestycji bezpośrednich) oraz najważniejsze motywy, którymi kierują się chińskie korporacje w swoich decyzjach inwestycyjnych. Wysoka dynamika chińskich inwestycji bezpośrednich w ASEAN sprawia, że kraj ten jest inwestorem o coraz większym znaczeniu. Ponadto, charakterystyczną cechą napływu chińskich ZIB do ASEAN jest większe niż w przypadku krajów rozwiniętych, zaangażowanie w mniej rozwiniętych krajach ASEAN-4.

Słowa kluczowe: Chiny, ASEAN, zagraniczne inwestycje bezpośrednie, współpraca gospodarcza.

1. Introduction

The dynamic economic growth of the People's Republic of China in recent years has resulted in increasing economic and political power of this country in the Asia Pacific region and the whole world economy. The formation of a new economic centre also implicates a reorganization of links with the neighbouring countries. Real economic ties in the region have evolved so that China has become the main entity responsible for the supply and demand of goods and services in the marketplace. As a result, the trade between the countries of Southeast Asia and China grew rapidly.

Positive experiences with ASEAN in the area of trade encouraged Chinese companies to begin the realization of wider plans of their business expansion – they started to increase investment involvement in the region. This process is also a component of a more general strategy of China, consisting of a relatively low commitment to the institutional forms of cooperation at the regional level (regional integration *de jure*) and the actual building of real economic ties with the countries of Southeast Asia (*de facto* regional integration). The result of these activities is an increasing economic interdependence in the region of Southeast Asia.

The main objective of this study is to identify and analyse the most significant changes that have taken place in the investment activity of Chinese corporations in the ASEAN[1] countries. Besides the most important trends in FDIs, which are indicated, main motives of growing investment engagement are identified.

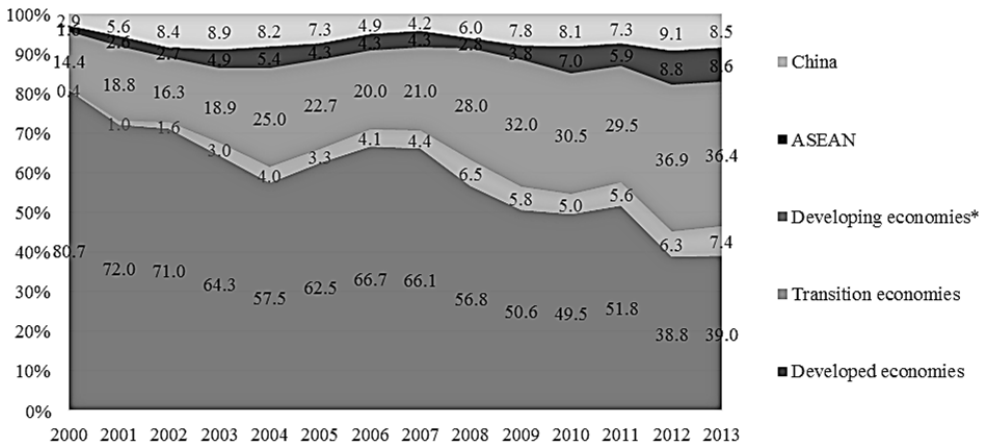
In order to accomplish this research task, the author uses methods which rely on statistical analysis of the data, its interpretation and reasoning based on the data. Additionally, a descriptive method is also used. The scope of the study includes foreign direct investment, and the time period covers the years between 2000 and 2013.

2. General tendencies in FDI flows

In the period under scrutiny (2000-2013) the flows of foreign direct investment in the world underwent fairly large fluctuations. In 2000, the value of world inward FDI reached 1.4 trillion USD, but in subsequent years it has been decreasing (down to 604.3 billion USD in 2003). Since 2004, FDI began to grow quickly and in 2007 it achieved a level of 2 trillion USD. But after this period a gradual decline was observed, as a result of the global financial and economic crisis. In 2013, the value of FDI inflows again reached 1.5 trillion USD, which was similar to the level of 2000.

[1] The Association of Southeast Asian Nations (ASEAN) was established on the 8th of August, 1967. The member states of the Association are: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, The Philippines, Singapore, Thailand and Viet Nam. Sometimes, there is a distinction made between more developed six member states (i.e. ASEAN-6) and less developed countries (ASEAN-4).

Despite the fact that these are developed countries which traditionally engage in capital flows (FDIs), it can be observed that currently an increasingly active role is played by developing countries, including the ones from Asia. Changes in this area in the years 2000-2013 can be observed in Figure 1.



Note: * indicates developing economies without ASEAN and China.

Fig. 1. Geographical breakdown of the world's inward FDI in the years 2000-2013, %

Source: Own study, based on UNCTAD [2015a].

The data from Figure 1 confirms that a group of developed countries is no longer the most important recipient of the global FDI inflows. In this role, they are replaced by developing countries. An ever increasing role is being played by ASEAN (increase in the share from 1.6% to 8.6%) and China (2.9 to 8.5%). This demonstrates the increasing attractiveness of these destinations in the global FDI flows in ASEAN and China.

The analysis of the foreign direct investment outflows in the world indicates that developing countries are also becoming increasingly active direct investors. While in 2000 the share of this group was at the level of 11.87% of the total outflow, in 2013 it reached 32.19% [UNCTAD 2015a]. The high activity in this area has been shown by China, whose share in the same period increased from 0.07% to 7.16%. It should be strongly emphasized that China is no longer only a recipient of investment, but has become an important and active investor and many countries vie for China's financial favours. The activity of Chinese corporations in the countries of Southeast Asia can be seen as a factor significantly influencing such an increase in the importance of this country in FDI outflows.

3. Growth of Chinese FDI in the ASEAN countries

ASEAN member states have begun to attract foreign capital already in the 1980's, but only the ensuing decades brought a significant increase in the importance of this area in global FDI inflows. In the early 90's, the ASEAN-5[2] was considered one of the most attractive FDI locations in the group of developing countries [Nawrot 2008]. In the following years the investments in ASEAN varied as to the value (due to the Asian financial crisis, among other things), but the Association was perceived as a more and more promising destination for foreign investors. Figure 2 illustrates the total flow and stock of inward FDIs in ASEAN after 2000.

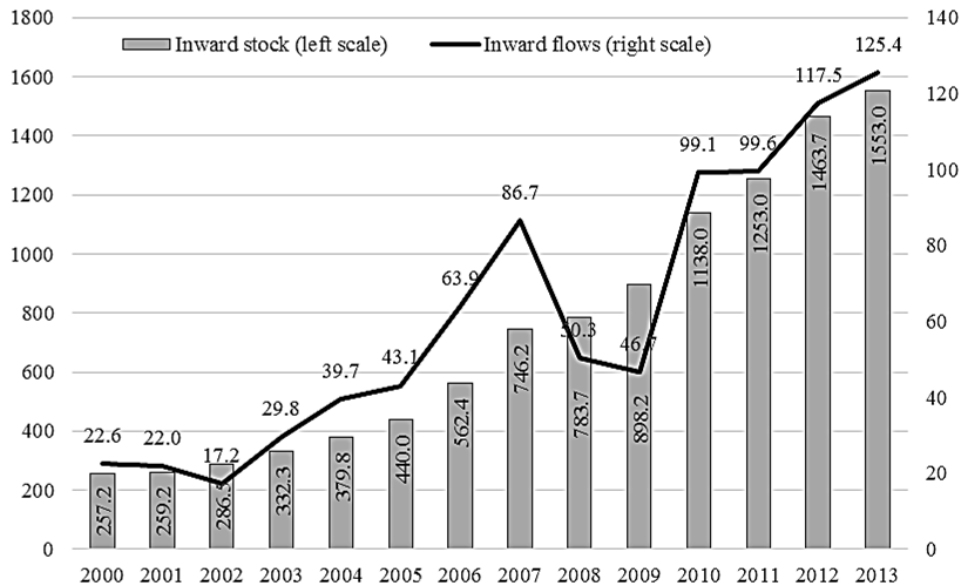


Fig. 2. Inward flows and stock of FDI in the ASEAN (2000-2013), billion USD

Source: Own study, based on UNCTAD [2015a].

Not only did FDI inflows increase in ASEAN, they outperformed overall FDI inflow growth on global scale, resulting in an increase of the share of this group in the total global investment inflows (from 1.6% in 2000 to 8.6% in 2013) and in the value of the world investment stock (from 3.46% to 6.1% in the same period) [UNCTAD 2015a]. The countries of Southeast Asia have become an attractive destination for investment, not only for developed countries (the US, the EU or Japan), but also for developing ones. One such a country is China, which, thanks to its strong commitment to investment in the region, largely contributed to the dynamic growth of ASEAN as a destination for FDI investment.

[2] ASEAN-5: Indonesia, Malaysia, The Philippines, Singapore, Thailand.

3.1. Value and geographical structure of Chinese FDIs in the ASEAN

The People's Republic of China, in pursuit of its strategy to strengthen its economic and political power in regional and global dimensions, has consequently developed its economic ties with the countries of Southeast Asia. Due to its geographical proximity, this region is a natural area of economic activity for Chinese enterprises. In parallel to the trade ties, China is developing complementary investment links with ASEAN[3] . It might be a truism to say that the linkages between trade and investment are interconnected – the intensification of trade favours higher investment and, conversely, growth in investment helps to increase the trade volumes. However, economic ties between China and ASEAN are a clear confirmation of these relationships.

Figure 3 shows the value and the share of Chinese FDI inflows to ASEAN in the years 2000-2013.

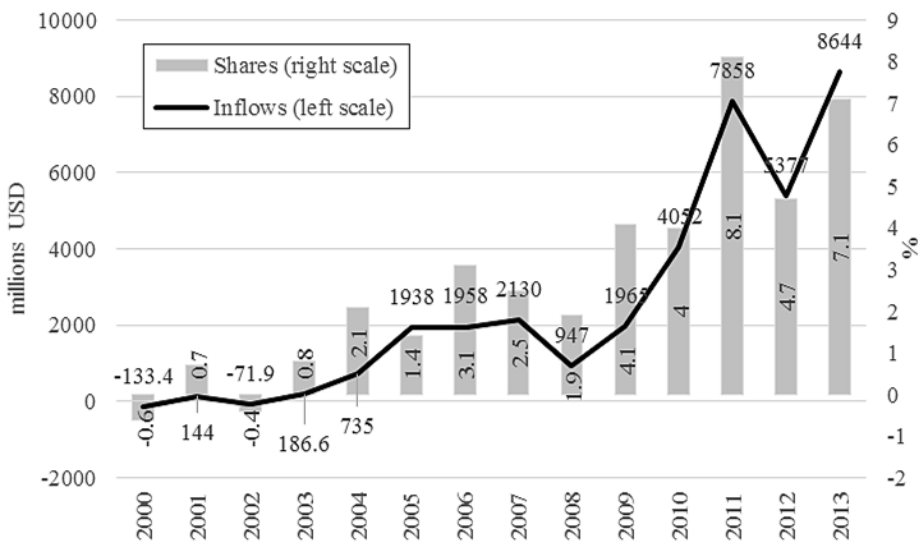


Fig. 3. Chinese FDI inflows to ASEAN and share of China in total FDIs inflows to ASEAN, millions USD and %

Source: Own study, based on ASEAN [2009], ASEAN [2014a], ASEAN [2015].

According to the data shown in Figure 3, the value of Chinese investment in ASEAN has increased significantly in the period under scrutiny. While in the early years (2000, 2002) there were relatively small disinvestments (values of inflows were negative), since 2003 the dynamic growth trend can be clearly observed. The value of investments increased from 186.6 million USD (2003) to 2.1 billion in

[3] For more on trade relations between PRC and ASEAN, see among others Pasierbiak [2015].

2007. After the fall in the value to 947 million in 2008 (the year of the global financial and economic crisis), in subsequent years inward FDIs from China grew rapidly.

In 2010, after the ASEAN-China Free Trade Agreement (ACFTA) entered into force, the value of investment reached 4.05 billion USD, which meant more than a twofold increase in relation to the previous year. In 2013 investment achieved the level of 8.644 billion USD, which was the highest value in the history of Chinese investment in ASEAN. It is worth noting that after 2003 only in two years (2008 and 2012) did the value of Chinese investments decrease compared to the previous year. Due to its activity, China has become a major investor in ASEAN. This did not mean, however, that Chinese companies were willing to invest in the same way in each and every country of the group. On the contrary, the geographical structure of Chinese investment was quite varied. The analysis of this issue may be based on the data in Table 1, showing the inflows of Chinese investment to individual ASEAN countries.

Table 1. FDI inflows to ASEAN Member States from China in the years 2000-2013, millions USD

Specification	2000	2002	2003	2004	2006	2007	2008	2009	2010	2011	2012	2013
ASEAN-6												
Brunei Darussalam	-	0.2	0.2	3.0	4.8	17.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	-2.8	0.0	-0.4	294.6	124.0	117.0	531.0	359.0	354.0	215.0	335.0	591.0
Malaysia	0.7	13.2	1.8	2.0	-7.0	70.0	57.0	-121.0	-6.0	-15.0	34.0	133.0
Philippines	0.0	-	0.0	-0.2	2.3	-0.1	-0.2	-3.3	0.2	-4.0	-2.0	6.0
Singapore	-168.6	-170.9	131.7	212.6	1582.0	1087.0	-172.0	1090.0	1190.0	5856.0	3409.0	5407.0
Thailand	7.2	20.9	23.8	-3.8	26.0	73.0	8.0	25.0	707.0	295.0	561.0	479.0
ASEAN-4												
Cambodia	-	49.2	26.2	33.0	130.0	165.0	77.0	97.0	127.0	180.0	368.0	287.0
Lao PDR	9.1	1.3	1.8	0.1	5.0	2.0	43.0	36.0	46.0	278.0	0.0	0.0
Myanmar	-	4.8	-	108.1	2.0	349.0	349.0	371.0	1521.0	671.0	482.0	793.0
Viet Nam	21.0	9.4	1.5	85.6	89.0	250.0	53.0	112.0	115.0	383.0	190.0	948.0
ASEAN	**-133.4**	**-71.9**	**186.6**	**735.0**	**1958.1**	**2129.9**	**945.8**	**1965.7**	**4054.2**	**7859.0**	**5377.0**	**8644.0**

Source: Own study, based on ASEAN [2009], ASEAN [2014a], ASEAN [2015].

The data of Table 1 indicates that investment activity of Chinese corporations is heavily concentrated on selected countries of the Association. The greatest value of investments was located in Singapore. In the period analysed, the country attracted as much as 28.9% (2004) up to 80.8% (2006) of the total Chinese FDI in ASEAN. It should be noted, however, that in some years (2000, 2002, 2008) Chinese investment was negative for that country, significantly affecting the general result of investments relations of China with ASEAN. Among other countries, an important position in the structure of Chinese investments was held by Indonesia, Thailand, and recently also Myanmar and Viet Nam. It is worth to emphasize that in relation to investors from developed countries (e.g. the US, the EU) China is more active in ASEAN's less

developed markets (ASEAN-4[4]). In the period of 2006-2013, about a quarter of the total investment of Chinese enterprises in ASEAN was located in less developed countries, while the remainder went to countries with a higher level of development [ASEAN 2014b]. In the case of the US, the EU and Japan the share of less developed countries was much lower and stood in the same period at 10.4%, 6% and 10.9%, respectively [ASEAN 2014b].

The varying degree of China's involvement in the individual member states of ASEAN is a consequence of a number of factors. It is worth mentioning the most basic ones – the ASEAN consists of countries at different levels of economic development, different structures of the economies and a varied abundance of natural resources. Thus, the attractiveness of these countries for investors is different. Besides market factors (e.g. in Singapore), Chinese enterprises locate their businesses in places where they can relatively easily meet resource supply needs, which means their greater involvement is in the countries within a distinct raw materials network.

3.2. Sectoral breakdown of Chinese FDIs in the ASEAN

Foreign direct investment inflows to ASEAN are concentrated in two main sectors: services and industry, and relatively minor investments occur in the agricultural sector [Nawrot 2008]. The sector in which investments are carried out depends on the level of country development. More developed countries host investments primarily in branches such as finance, real estate and trade/commerce, while countries rich in natural resources and the labour factor, attract investments in the areas of mining and processing. A similar scheme of investing can be observed in the case of Chinese investment in ASEAN. Table 2 shows detailed data about industry structure of Chinese investment in ASEAN countries in the years 2010-2013.

Table 2. Sectoral breakdown of Chinese FDI flows into ASEAN in the years 2010-2013

Industry	2010	2011	2012	2013	Average 2010-2013
Agriculture, fishery and forestry	1.1%	0.7%	1.1%	1.0%	1.0%
Mining and quarrying	8.7%	2.2%	5.3%	6.5%	5.3%
Manufacturing	2.1%	5.0%	6.4%	13.2%	7.6%
Construction	-0.5%	1.6%	2.0%	0.2%	0.9%
Trade/commerce	1.9%	11.2%	11.1%	31.4%	16.4%
Finance	27.3%	47.1%	11.2%	13.2%	25.3%
Real estates	18.7%	21.4%	35.4%	17.6%	22.6%
Services	2.5%	-2.6%	18.4%	6.7%	5.6%
Others (n.e.c.)	0.7%	1.4%	0.2%	1.0%	0.9%
Unspecified	37.5%	12.0%	8.9%	9.2%	14.4%
TOTAL [million USD]	**4053.4**	**7856.3**	**5376.8**	**8643.5**	**6482.5**

Source: ASEAN [2014b, p. 64.

[4] Cambodia, Lao PDR, Myanmar and Viet Nam.

Based on the data from Table 2 it can be concluded that the dominant share of inward FDI flows to ASEAN has been in the areas of finance, real estate and trade/commerce. In 2010 these three industries accounted for 47.9% of Chinese FDI into ASEAN, and three years later (2013) already for 62.2%. On average, in the years 2010-13 the share of these sectors in the inflows of FDI to ASEAN amounted to 64.3%. In the same period, the share of manufacturing was 7.6%.

Many of the Chinese investments were related to the implementation of projects in the area of **infrastructure**. Chinese companies are involved in construction of hydroelectric plants, railways, bridges, highways, telecommunications networks or gas and petroleum pipelines. For example, Chinese enterprises are engaged in building the Second Penang Bridge in Malaysia (with amount of 1.5 billion USD), hydropower projects and dams in the Lao PDR (worth more than 5 billion USD), ports and rail infrastructure in Cambodia[5] .

Another important area of Chinese investment into ASEAN is **finance**. In 2010-2013, the average annual inflow of investment in this area amounted to 1.6 billion USD. It is worth noting that Chinese companies tend to avoid entering the markets in the form of mergers and acquisitions, and prefer direct input. Larger Chinese banks such as the Bank of China, EXIM Bank, the China Construction Bank and the Industrial and Commercial Bank of China are present in at least two member states of ASEAN [ASEAN2014b].

Despite the fact that Chinese investments in manufacturing are relatively smaller than in the service sector, it is dynamically developing. A large part of them were located in the less developed countries (ASEAN-4), and the main reason was their cost competitiveness. In 2010-2013, Lao PDR and Myanmar attracted 78% of the Chinese investment in manufacturing in areas such as the production of parts and components for the electronics and automotive industries. Due to rising labour costs in China, many Chinese textile enterprises decided to invest in ASEAN countries in order to improve the price competitiveness of their products, to be able to meet the demands of customers from third countries [ASEAN 2014b]. If we compare the minimum wage in Vietnam, Cambodia or Myanmar, it turns out to be much lower than in China [YnFx 2013]. This is the primary factor in prompting Chinese companies to invest in these countries, but other motives can be also identified. This is the subject of interest of the next section.

4. The main factors influencing Chinese FDI flows into ASEAN

In the literature, there are many theories to justify the involvement of companies in foreign direct investment. Undertaking such an activity is one of the ways to increase or maintain profitability and capital value. On the one hand, corporations are trying to use an advantage they possess, on the other, they may seek to protect or enhance

[5] For more on Chinese investments in these fields see ASEAN [2014b].

this advantage. Overall, FDI theories can be divided into two general groups: macro and micro theories. The first one includes, among others, Aliber's currency area theory, Vernon's product life cycle, location theory, theories of Kojima and Ozawa based on comparative advantages. The microeconomic concepts cover such theories as: monopolistic advantage by Hymer and Kindleberger, the theory of oligopolistic reaction of Knickerbrocker, internalization theory and the portfolio investment theory of Markowitz[6].

One of the most popular concepts is eclectic (OLI) paradigm, proposed by J. H. Dunning [Rugman, Brewer (eds.) 2001]. It asserts that determinants of MNE activity rests on a juxtaposition of three inter-related factors: 1) the competitive (O-specific) advantages of existing or potential MNEs; 2) the locational (L-specific) advantages of particular countries in offering complementary assets, for these advantages to the exploited or augmented and 3) the propensity of the firms possessing the O-specific advantages to combine them with those of the foreign based assets, by FDI, rather than by (or in addition to) the market mechanism, or some kind of non-equity cooperative venture. Thus, firms are able to internationalize by using their ownership advantages. This type of enterprise strategy is described as 'asset exploiting' and its choice of host country location is determined by different types of motivations: market-seeking FDI; efficiency-seeking FDI, resource-seeking FDI and strategic asset-seeking FDI [Johnson, Turner 2004].

Market-seeking FDIs are performed to sustain or protect existing markets, but on the other hand, to exploit new markets. Market seekers invest in a country, not as an export platform, but to supply goods or services to it. Efficiency-seeking FDI are to rationalize the value chain of the enterprise. Resource-seeking FDIs are to acquire specific resources of a higher quality at lower cost than could be obtained in their home country. Strategic asset-seeking FDI's aim is to achieve long-term strategic objectives of an enterprise – especially these of sustaining or advancing their global competitiveness.

All aforementioned theoretical motives, to certain extent, are present in Chinese FDIs into ASEAN countries[7]. In the period under scrutiny, there were many such factors, and their origin, on the one hand, can be attributed to the decisions of the companies themselves, and on the other, to conditions created by the states and their policies on the Chinese and ASEAN side.

Generally speaking, dynamically developing trade links, a good experience of cooperation and benefits of the operations meant that Chinese corporations decided to take the next step, i.e. supplementing already existing links with additional capital ties.

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[6] Due to the limitations of the paper, the theories will not be developed here in detail. They are described in many publications. See for instance Rymarczyk [2012]; Dinkar, Choudhury [2014].

[7] The author concentrates here only on economic factors influencing Chinese FDIs in ASEAN, but it is important to remember that Chinese motivations can be also of non-economic nature. In order to obtain wider political influence in the region, the government supports Chinese corporations in their capital expansion.

The use of capital increased the economic efficiency of the operations – replacing certain imports from ASEAN by direct production, which contributed to the reduction of costs, which also meant improving the competitiveness of the export of Chinese corporations' offer to customers from third countries. At the same time, Chinese investments contributed to the development of regional production chains whose centre was established in China.

Efficiency-seeking motives of Chinese investments into ASEAN are only one group of reasons. The others comprise also market-seeking and resource-seeking motives. The desire to acquire natural resources means that Chinese investors are present in countries rich in raw materials (including the less developed ASEAN).

In addition to the above identified reasons for the expansion of Chinese investment in ASEAN, there are some other factors on the Chinese side worth mentioning: a continuing pressure on internationalization among Chinese companies; support of the Chinese government; access to financing and support of Chinese banks [ASEAN 2014b].

The Chinese government supports investment of their companies in several key areas [Skulska 2011]. First, the Chinese government assists to secure the supply of raw materials necessary to meet the domestic demand. Second, it seems important for Chinese manufacturing enterprises to establish a branch abroad and to implement infrastructure projects, in which the manufacturing process, equipment and labour come from China. Third, Chinese companies are encouraged to be more and more involved in R&D projects. Fourth, Chinese companies are prompted to implement mergers and acquisitions which improve the competitiveness of national entities. All these objectives were also implemented by Chinese investment activities undertaken in ASEAN countries.

One example of government support and banks' assistance for Chinese investments in ASEAN was the establishment of the special China-ASEAN Investment Cooperation Fund. This entity, established by the Chinese government in 2009, is one of the largest equity funds run by the EXIM Bank of China, focused on investing in infrastructure, such as power plants, transport, telecommunications, water and wastewater, oil and gas pipelines, etc. The fund provides capital support to Chinese companies for projects in ASEAN, or finances such projects in the targeted sectors [CAF 2015].

An important role as a stimulator of Chinese FDI is fulfilled by such banks as the China Development Bank and EXIM Bank, which provide funds to enterprises implementing projects in ASEAN. According to the ASEAN Secretariat, by the early 2014 the EXIM Bank granted loans for the implementation of 46 projects in transport infrastructure [ASEAN 2014b].

In addition to the factors on the Chinese side, a factor of great importance for the development of investment in ASEAN was the general improvement of the investment climate in the region of Southeast Asia. A growing awareness of the benefits from foreign investments incited a number of measures designed to

encourage potential investors to locate their investment in the region. Dynamic economic growth, as well as reforms which have been undertaken by the countries after the Asian financial crisis in the 90's, have improved the business environment to such an extent that investment has grown significantly. Between 2007-2011, the increase of the inward FDI was three times higher than the average for the period of 1998-2001 [ASEAN 2013].

Improvement of the investment climate also stems from integration initiatives taken by ASEAN. In addition to actions such as the creation of ASEAN Investment Area (AIA), which contributed to the increase of intra-regional investment, it has also undertaken measures to increase the investment attractiveness for foreign companies, particularly in the industrial sector [Nawrot 2008]. In 2009 ASEAN introduced the regional investment promotion initiative – the ASEAN Investment Agreement, which was to promote the region as an integrated investment area [UNCTAD 2015b]. In the same year, the ASEAN-China Investment Agreement started to operate in order to promote investment between partners. In March 2012 the ASEAN Comprehensive Investment Agreement (ACIA) entered into force. This initiative was to promote further freedom of investment activities within the Association [ASEAN 2014c]. Removing the existing barriers to intraregional trade and investment was also a vital step for ASEAN to reduce production costs and to attract foreign investors [Capannelli 2014].

The last, but not least, factor influencing the attractiveness of ASEAN for Chinese investors is the entry into force of the China-ASEAN Free Trade Area (CAFTA). According to the provisions of the agreement, from 1 January 2010, over 90% of the products exchanged between the partners became subject to a zero tariff treatment. Chinese tariffs on imports from ASEAN dropped from 9.8% to 0.1%, whereas ASEAN-6 tariffs against imports from China have been reduced from 12.8 to 0.6% [The China-Philippines Portal 2012]. CAFTA was responsible, not only for a substantial increase in trade, but also for greater freedom for businesses. Chinese corporations in their operations in the ASEAN member states' markets could start to treat them similarly to the Chinese domestic market. The lack of trade barriers increased the possibility of making profitable investment in the rapidly growing market with a population of over 600 million.

5. Conclusion

The analysis of the developments in Chinese FDI flows into ASEAN presented in this study allows us to formulate a few summary conclusions.

1. The ASEAN countries are becoming an increasingly important investment destination of foreign direct investment. In the years 2000-2013 the share of the ten countries increased from 1.6% to 8.6% of the world's FDI inflows.

2. The high growth of Chinese direct investments in ASEAN has allowed the country to become one of the key direct investors. With the participation of 7.1%,

China currently occupies third position in terms of share in the inflows of FDI to ASEAN (behind the European Union and Japan, but ahead of the USA).

3. Chinese investments in ASEAN are geographically diversified. Most of the flows go to the more developed countries (approx. 75%), but it should be emphasized that China, to a greater extent than other countries, invests in the markets of ASEAN-4.

4. Sectoral breakdown of Chinese investment in ASEAN is consistent with the general structure of all incoming FDIs. Most of the capital is invested in the service sector (finance, real estate and trade/commerce) and to a lesser extent in manufacturing. Investments in infrastructure also have a significant importance in the sectoral structure.

5. The main drivers of the growth of Chinese investment in ASEAN have been: a pre-pressure for internationalization; support of the Chinese government; easy access to financing; the involvement of Chinese banks and the overall improvement of the investment climate in ASEAN, all resulting from dynamic economic growth and reforms undertaken by the country and the ASEAN.

Analysing the phenomenon of China's investment involvement in the ASEAN market, one should also keep in mind that the figures showing the inflows of Chinese FDIs into the Association do not fully reflect the whole issue. One must remember that Chinese companies are present on the markets of ASEAN also in other than only equity modes of operations. Many of them are subcontractors of the companies that won contracts. This means that they are not included in the official statistics on foreign direct investment.

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