



## CHINA'S OUTWARD INVESTMENTS

China's economic and political rise was driven mainly by its economic reforms, which stimulated a significant inflow of foreign direct investments. These investments allowed China to develop its key sectors, increasing the country's competitiveness and contributing to the growth of trade. The rise of China's economy and the accumulation of a substantial volume of savings made China one of the biggest global investors. Therefore, this commentary analyses the dynamics and patterns of China's outward investments and shows its potential impact.

According to data from the United Nations Conference on Trade and Development, China's outward investment flow demonstrated significant growth. In particular, the indicator grew from \$44 million in 1982 to almost \$133 billion in 2020 (at current prices). Thus, for the reported period the indicator increased by more than 3,021 times. For comparison, the outward investments of the United States (US) changed from almost \$1.1 billion in 1982 to \$93 billion, growing by 86 times. In stock terms, for the reported period, China's indicator surged from a low \$39.4 million to \$2.4 trillion, while the indicator of the US changed from \$228.3 billion to \$8.1 trillion. A share of China in global outward investments increased from 0.16% in 1982 to almost 18% in 2020 flow terms, while in-stock terms the indicator changed from 0.007% to nearly 6%. The share of the US in flow terms increased from 4% to 12.5%, while in-stock terms it decreased from 37.6% to 20.7%.

Over the past 40 years, China's pattern of outward foreign direct investments (OFDI) can be divided into "restricted" (1978–1999), "relaxed" (2000–2016), and "regulated" (2017 onwards) stages. Before 1991, few laws and regulations were issued to direct OFDI and only state-owned enterprises were allowed to invest abroad. The average OFDI flow from 1992 to 1999 was \$2.686 billion, while from 1982 to 1991 it amounted to \$537 million. The global financial crisis, which caused a shortage of funds in developed countries, created an opportunity for Chinese enterprises. While global FDI inflows fell by 14% in 2008, China's OFDI flow more than doubled to \$55.9 billion in 2008.

The main motivations of Chinese enterprises for engaging in FDI include profit-

making, assets, and natural resources seeking. Evidence shows that China mainly invests in the seaborne countries and it has kept investing in the port sector as it pursues an aggressive policy of leasing foreign ports and buying shares in port operations. However, China's investments should offer economic benefits to its partners. One of the projects, which strengthened economic cooperation between China and Pakistan, is the China Pakistan Economic Corridor (CPEC), which connects the Xinjiang region in China's inland to the port of Gwadar in Pakistan through a network of roads, railways, and pipelines. Data shows that 20% of the CPEC is debt-based finance, while 80% are investments in Joint Ventures enterprises between Pakistan and China. It is important to note that the implementation of the project created 40,000 jobs for local Pakistanis and 80,000 jobs for Chinese.

China is a key investor and lender in Africa. China's OFDI stock in Africa grew from \$16.24 billion in 2011 to \$34.69 billion in 2015, increasing by 21% annually during this period. It is worth noting that as of January 2015, 46.5% of Chinese investments in Africa were reported to be in manufacturing, while the share of agriculture was 7.7%. Ghana is one of the key economic partners of China in Africa. Chinese investments in Ghana's manufacturing are driven by a high level of competition and industrial upgrading at home, the long-term potential of Africa, lower transportation costs, and the use of local materials. Investments from China drive more Ghanaians to work in the factories, supply the factories or set up their factories. However, many Chinese investment projects are problematic. For instance, although more than a hundred Chinese firms are registered as manufacturing investors, only 20% can be confirmed as currently in operation. Moreover, the vast majority of the employees in Chinese factories consist of Ghanaians, but few of them are in management positions.

While developing countries try to attract investments from China for their industrialization or other policies, developed countries remain concerned and try to regulate capital flows from China. For instance, Chinese investment in both the US and the European Union (EU) has declined dramatically since 2016. Increased US political and regulatory

scrutiny of Chinese investment inflow significantly compounded the decline. Almost all Chinese investment in the US and the EU after 2000 came in the form of acquisitions, highlighting the importance of technology and asset purchases. Chinese investors are mainly interested in the real estate and hospitality sector in the US, whereas the EU ICT and transportation and infrastructure sectors have been the most important for them. However, the US and EU policies have differences. For instance, the US government moved to completely exclude Huawei from the US market due to national security concerns, while the EU was likely to adopt a policy enabling Huawei to become a major supplier of 5G networks in Europe.

In 2021, China's overall outward direct investment reached \$145.2 billion, increasing by 9.2% compared to the same period last year. The country's non-financial outward investments amounted to \$113.6 billion, growing by 3.2%. The Belt and Road non-financial investments increased by 14.1%. The number of announced mergers and acquisitions deals amounted to 516, the value of which reached \$57 billion, increasing by 19%. In 2021, China signed new engineering, procurement, and construction projects worth \$258.5 billion, which was 1.2% higher than in 2020. Technology, media, entertainment, telecommunications, real estate, hospitality, and construction remain key sectors for China's investments. China's new key projects include the North East Rail Line project in Melbourne, Australia, and the completion and commencement of the Russian Metro project, the first time Chinese enterprises participated in a metro construction project in Europe.

Thus, China's role as a global investor increased substantially. While investing, besides profits, China's enterprises are mainly interested in natural resources, infrastructural facilities, ICT, and technologies. They are also motivated by fierce competition in their home country. Developed countries apply strict regulations toward China's investments. Developing countries are of great interest in attracting investments from China, as they contribute to their industrialization and higher employment. However, it is important to note that positive results from China's investments depend on the institutional development of attracting countries.

## Politics, Foreign Affairs, and Security

- Recently, the President of Kazakhstan Kassym-Jomart Tokayev had a telephone conversation with Crown Prince Mohammed bin Salman Al Saud of the Kingdom of Saudi Arabia. The parties noted favorable prospects for developing cooperation between the two states, focusing on economic ties and considered it important to strengthen political ties between the two countries. President Tokayev spoke about good opportunities in petrochemistry, agriculture, energy, financial services, and the tourism sector in Kazakhstan and invited Mohammed bin Salman Al Saud to pay a visit to Kazakhstan (Kazinform, 15.04.2022).
- President of Uzbekistan Shavkat Mirziyoyev and Prime Minister of Hungary Viktor Orbán held a phone conversation discussing relations between Hungary and Uzbekistan. At the beginning of the talk, Shavkat Mirziyoyev congratulated Viktor Orbán on his victory in the recent parliamentary elections. The parties discussed the implementation of the agreements reached following the Uzbek-Hungarian summit at the highest level in March last year in Tashkent. The sides paid special attention to the practical implementation of cooperation projects and considered topical international and regional issues (Kun.uz, 14.04.2022).
- The Parliament of Pakistan has selected Shehbaz Sharif as the country's new Prime Minister after Imran Khan was ousted in a no-confidence vote in the early hours of Sunday. Shehbaz Sharif will form a new government that can remain in place until elections are due in August 2023. In his first address as Prime Minister in the National Assembly of Pakistan, Sharif announced an increase in salaries, pensions and the minimum wage for laborers (Aljazeera.com, 11.04.2022).
- The Heads of the Foreign Affairs Ministries of Central Asia and Japan took part in the eighth virtual meeting of the Central Asia + Japan Dialogue dedicated to the 30th anniversary of diplomatic relations between the Central Asian countries and Japan. The participants exchanged views on opportunities to expand cooperation in trade, economics, investment, healthcare, ecology, sustainable development and regional security. The sides noted that over the past three decades, the countries of Central Asia and Japan have effectively cooperated in all areas (The Astana Times, 15.04.2022).
- The Minister of Foreign Affairs of Tajikistan Sirojiddin Muhriddin held a telephone conversation yesterday with the Minister of Foreign Affairs of Bahrain, Dr. Abdullatif bin Rashid al-Zayani. One of the topics discussed by the Ministers was the issues of interaction between the two countries within the framework of international and regional organizations. In particular, the sides exchanged views on the progress of consideration of Bahrain's application for the status of Dialogue Partner in the Shanghai Cooperation Organization (Avesta.tj, 15.04.2022).
- During a recent interview, Armenian Foreign Ministry Spokesperson Vahan Hunanyan said that there was a preliminary understanding between Armenia and Türkiye that the next meeting on normalization of relations may take place in Vienna. He also said that the Armenian side fully agreed with the need for bold steps previously mentioned by the Foreign Minister of Türkiye Mevlut Cavusoglu. Prior to that the Prime Minister of Armenia Nikol Pashinyan emphasized that the two countries should do their best to see that the talks go on (Mfa.am, 15.04.2022).

## Economy, Finance, and Energy

- According to the World Bank forecasts, in 2022, the economy of Kazakhstan will grow by 1.8% and in 2023 by 4%. Previously, the bank expected corresponding growth rates of 3.7% and 4.8%. Side effects of Russia's economic decline will cause the slowdown of Kazakhstan's economy. Disruptions in trade, lower business confidence and increased currency volatility will also lower economic growth. The government of Kazakhstan forecasts that by the end of 2022, the country's GDP will grow by 2.1% (Qazaq TV, 12.04.2022).
- The international community continued to provide humanitarian support to post-war Afghanistan. Recently, the country received a batch of \$32 million in humanitarian cash assistance. The country's Central Bank announced that \$13 million of the assistance will be used to stabilize the afghani, the country's national currency. The regulator is trying to maintain the value of afghani at a fixed level. Since the Taliban's takeover of Afghanistan, the United States has frozen more than \$9 billion of assets of Afghanistan's central bank (Xinhua, 17.04.2022).
- The World Bank announced that it would provide funds to create a digital system for agriculture in Uzbekistan. Uzbekistan reached an initial agreement with the World Bank on the allocation of \$20 million for the development of a single integrated platform "Digital Agriculture". Of these, \$8.2 million will go to the land management system, \$5 million – to water resources management. Another \$6.8 million will be spent on purchasing equipment (Kun.uz, 16.04.2022).
- At the opening ceremony of the Uzbek-Kyrgyz Development Fund Chairman of the Cabinet of Ministers of Kyrgyzstan, Akyzbek Zhaparov announced that Kyrgyzstan together with Uzbekistan would start construction of the Kambar-Ata HPP-1. According to the plan, the capacity of the project will be 1 thousand 860 MW. On average, 5.6 billion kWh will be produced annually. The countries plan to build trade and logistics centers and highways and increase trade turnover to \$2 billion (Kabar, 14.04.2022).
- Azerbaijan Railways CJSC chairman Javid Gurbanov and Kazakhstan Railways JSC board chairman Nurlan Sauranbayev recently signed an agreement on cooperation in the implementation of joint projects in the logistics field. The parties also discussed the further development of multimodal transportation along the Trans-Caspian international transport route, the volume of transportation along which in 2021 amounted to 586,200 tons, while container transportation equaled 25,270 TEU. In January-March 2022, cargo transport increased by 123% compared to the same period last year (AzerNews, 14.04.2022).
- According to the joint estimates of the Ministry of Economy of Ukraine and Kyiv School of Economics, the total losses of Ukraine's economy due to the war, taking into account both the direct losses, which include GDP decline, investment cessation, labor outflow, additional defense and social spending, ranging from \$564 billion to \$600 billion. Over the past week, direct losses to Ukraine's economy due to the destruction and damage of civilian and military infrastructure increased by \$12.2 billion (Ukrinform, 12.04.2022).

## Society and Culture

- The opening ceremony of a book exhibition dedicated to the 150th anniversary of the Kazakh public figure, academic linguist Akhmet Baitursynov and the 125th anniversary of the outstanding writer, academician Mukhtar Auevov took place in the National Library of Russia in St. Petersburg. More than 100 different unique expositions were presented at the exhibition. The event was attended by the writers, representatives of the Kazakh and other diasporas living in St. Petersburg, as well as residents and guests of the city (Kazinform, 15.04.2022).
- The Mayor of Bishkek Emilbek Abdykadyrov met with Ambassador Extraordinary and Plenipotentiary of Hungary to the Kyrgyz Republic Sándor Dorogi in Bishkek. During the meeting, the parties discussed the possibility of exchanging experiences in the areas of the city's life, education and science. The sides also discussed the issue of establishing sister-city relations between the cities of Budapest and Bishkek. Emilbek Abdykadyrov expressed gratitude for the conversation and hope for further mutually beneficial cooperation (Kabar, 14.04.2022).
- Forte Kulanshi Art Space in Nur-Sultan showcased an exhibition of Uzbek and Turkmen art. 56 paintings by Uzbek artists, 14 clothing collections designed by the finalists of the Global Nomads Fashion Award contest among young designers, and nine handmade carpets by Turkmen masters were showcased in the "The Eastern Time" exhibition. Ambassador of Uzbekistan in Kazakhstan Saidikram Niyazkhojaev was among the guests who attended the exhibition and expressed gratitude to its organizers for showing the dynamics of bilateral relations between Uzbekistan and Kazakhstan but also between all Central Asian countries (Astanatimes, 22.04.2022).
- The Ministry of Education of Georgia along with a group of displaced Ukrainian teachers launched a Ukrainian-language school in Tbilisi. It will teach the standard Ukrainian school curriculum in the Ukrainian language to kids across all grades. Since the beginning of the war, more than 4.5 million Ukrainians have fled the country. An estimated 25,000 of them have made it to Georgia (Eurasianet.org, 12.04.2022).
- Turkish Cooperation and Coordination Agency (TİKA) started to distribute 1.250 Ramadan food packages to those in need in Kosovo. The aid distribution ceremony held in Pristina was attended by Türkiye's Ambassador to Pristina Çağrı Sakar; Deputy Mayor of Pristina Alban Zogaj and TİKA's Coordinator in Pristina Cihan Dinçer. Since the start of its operations in Kosovo in 2004, TİKA has carried out more than 700 projects in Kosovo (Tika.gov.tr, 14.04.2022).
- Painters of the Turkic World who took part in the meeting held under the motto "The Conquest and Historical Heritage of Bursa". The event was organized by the organization of the International Organization of Turkic Culture (TÜRKSÖY) in cooperation with the Bursa Osmangazi Municipality. Talented painters from Azerbaijan, Kazakhstan, Kyrgyzstan and Uzbekistan had an opportunity to show their artwork at the event (Turksoy.org, 14.04.2022).