CHINA AS THE TARGET COUNTRY FOR FDI INFLOWS

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The article stipulates China as the target country for FDI and determines its place in the distribution of total world FDI inflows. The importance of the subject is based on the fact that FDI has become an important source of private external finance for developing countries. It is different from other major types of external private capital flows in that it is motivated largely by the investors' long-term prospects for making profits in production activities that they directly control. From this point the examining of Chinese experience of attracting private investors and determining its prospective in transitioning from an investment-intensive, export-led model of growth, to one driven by consumption and innovation.

The aim of the article is characteristic of China as one of the largest FDI recipient in the world and as the country continued its transition to a new growth model, in line with its rapidly maturing economy.

The methods of scientific research have been used in the article: a retrospective, grouping and summarizing, systems analysis, synthesis and comparison. Theoretical and methodological basis of scientific research constitute the works of local and foreign scientists and global statistics on FDI compiled by UNCTAD and IMF.

According to the data given in this article global FDI flows rose in 2015 (+36%) to reach an estimated US$1.7 trillion, their highest level since 2007. A wave of cross-border mergers and acquisitions (M&As), which rose significantly in value, was largely responsible for the increase in FDI. Greenfield investment project announcements, in contrast, registered little change in value terms from 2014.

The United States, with an estimated US$384 billion in inflows, vaulted back into first position among host economies in 2015, after exceptionally falling to third in 2014. FDI inflows to Hong Kong, China – the second largest recipient in the world – reached a record of $163 billion for the first time ever.

FDI inflows to mainland China rose by 6% to an estimated US$136 billion. While inward FDI flows in manufacturing declined, those in services kept momentum and drove total inflows to a new record level.

According to the results of the study it has been determined that growing investment in China's service sector indicates that international investors are increasingly viewing China as an 'end-destination' market, rather than a source of low-cost labour. For their part, manufacturing firms are shifting away from the production of cheap exports, and are increasingly producing goods that are higher in quality and that are designed specifically to meet the demands of the Chinese consumer. So, for instance, FDI into high-tech manufacturing has grown rapidly over the past years, and it currently represents almost a quarter of total FDI into manufacturing.

China is transitioning from an investment-intensive, export-led model of growth, to one driven by consumption and innovation, a shift that is being reflected in patterns of inward foreign direct investment (FDI).