

Thus, the world machinery market is one of the fastest and most dynamically developing in the modern world. On the basis of the forecast of development market of the world's largest machinery manufacturers of machinery products in the world will be China, Russia, EU, USA and Japan.

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THE UPGRADING OF CHINA-ASEAN FREE TRADE AREA AND THE OPTIMIZATION OF GUANGXI'S STRATEGY OF ATTRACTING FOREIGN DIRECT INVESTMENT

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The articler analyzes the situation of China's FDI from ASEAN in the past five years, and holds that Guangxi, as a province close to ASEAN in China, should seize the opportunity, optimize the strategy of attracting FDI, expand the scale of FDI from ASEAN, and improve the quality of FDI, so as to help the cooperation and development between China and ASEAN. On the basis of this analysis, this paper looks forward to the optimization strategy of Guangxi's FDI absorption from ASEAN in the next 10 years.

Keywords: FDI; the ACFTA Upgrading Protocol; Regional Economic Integration; Economic Co-operation.

РАЗВИТИЕ ЗОНЫ СВОБОДНОЙ ТОРГОВЛИ МЕЖДУ АСЕАН И КИТАЕМ НА ОСНОВЕ ОПТИМИЗАЦИИ СТРАТЕГИИ ПРИВЛЕЧЕНИЯ ПИИ (НА ПРИМЕРЕ ПРОВИНЦИИ ГУАНСИ)

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В статье рассматривается ситуация с привлечением ПИИ в Китай из АСЕАН за последние пять лет. Анализируется возможность увеличения потоков ПИИ из АСЕАН в провинцию Гуанси как наиболее территориально близкую к данному интеграционному объединению. На основе данного анализа предлагается стратегия оптимизации привлечения ПИИ из АСЕАН в Гуанси и формулируются перспективы развития сотрудничества между АСЕАН и Китаем.

Ключевые слова: ПИИ; АСЕАН; региональная интеграция; экономическая кооперация.

Founded in Bangkok, Thailand on August 8, 1967, Association of Southeast Asian Nations (ASEAN) has 10 member states: Indonesia; Malaysia; Philippines; Thailand; Singapore; Brunei; Cambodia; Laos; Myanmar and Vietnam. China started the construction of the free trade zone in 2002 and completed it in 2010. The Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation and Certain Agreements thereunder between ASEAN and China (the ACFTA Upgrading Protocol) was signed in November 2015 and entered into force on 1 July 2016 [1]. In October 2019, it has come into full force, which has made the bilateral economic and trade relations between China and ASEAN closer. The ACFTA Upgrading Protocol is the first FTA upgrading agreement completed by China, which enriches, perfects, complements and upgrades the original series of China ASEAN FTA agreements [2]. At the same time, it embodies the common desire of both sides to deepen and expand economic and trade cooperation. At present, the EU, NAFTA and CAFTA are the three major regional economic cooperation zones in the world. CAFTA is the most populous free trade area in the world and the largest free trade area composed of developing countries.

Despite the COVID-19 pandemic, the global economy was growing slowly. However, the economic and trade cooperation and investment between China and ASEAN have maintained a strong growth. According to Report on the 10-Year Development of the ASEAN – China Free Trade Area Since Its Full Establishment, from January to September 2020, the trade volume between China and ASEAN has increased by 5 % against the trend. So far, ASEAN has surpassed the European Union and the United States for the first time and become China's largest trading partner.

Guangxi is located in the border between China and Vietnam, and is the only province in China that connects with ASEAN countries by land and sea. The coastal areas of Guangxi have superior location and open conditions, and have the advantage of cultural affinity with ASEAN members. It has obvious complementarity with ASEAN countries in terms of resource composition and industrial structure, and has great potential for economic cooperation. Guangxi has successfully hosted the 17th China ASEAN Expo and China ASEAN Business and Investment Summit. In this context, Guangxi, as a province close to ASEAN, plays an important role in the process of deepening and expanding China ASEAN Economic and trade cooperation, and has a very important strategic position. However, after analyzing the data of the past five years, the following findings are made. Guangxi is geographically close to ASEAN countries and has natural advantages in location. However, in general, it receives less FDI from ASEAN 10 countries (figure 1). The average proportion of FDI from ASEAN 10 countries to Guangxi is only 1.9 % in five years. However, Guangxi's GDP in 2019 has reached 2123.714 billion yuan [3], with a year-on-year growth of 6 %, which also shows that Guangxi still has considerable potential in attracting investment.

From the perspective of ASEAN member countries' investment in Guangxi, the amount of investment shows a downward trend (figure 2). It was the highest in 2015, reaching US \$ 459.87 million, while it dropped to US \$ 182.51 million in 2016 and only US \$ 12.59 million in 2019. From the perspective of capital sources, only Singapore and Thailand have invested in Guangxi, with an average of 90.4 % in five years, while the other eight countries from ASEAN have hardly invested in Guangxi.

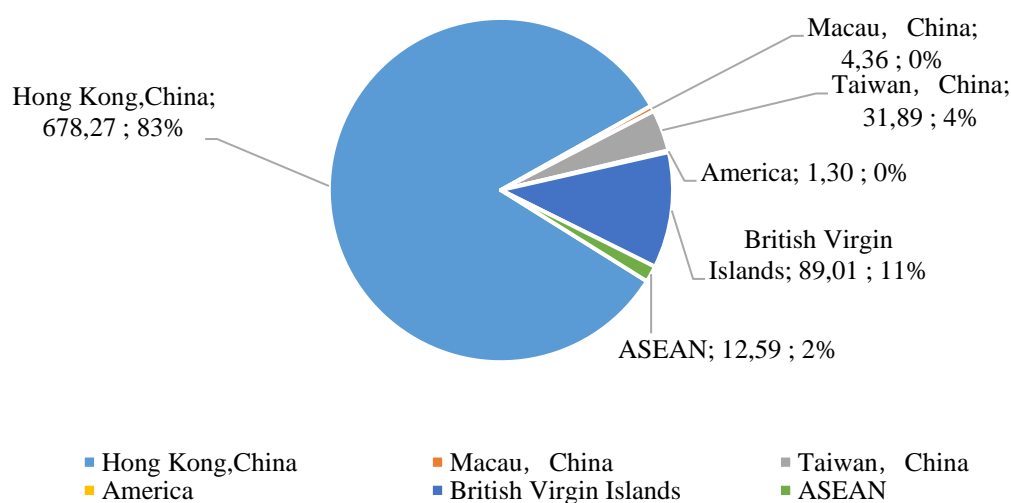


Figure 1 – Guangxi's Actual Use of FDI in 2019, mln USD

Note – Source: [4].

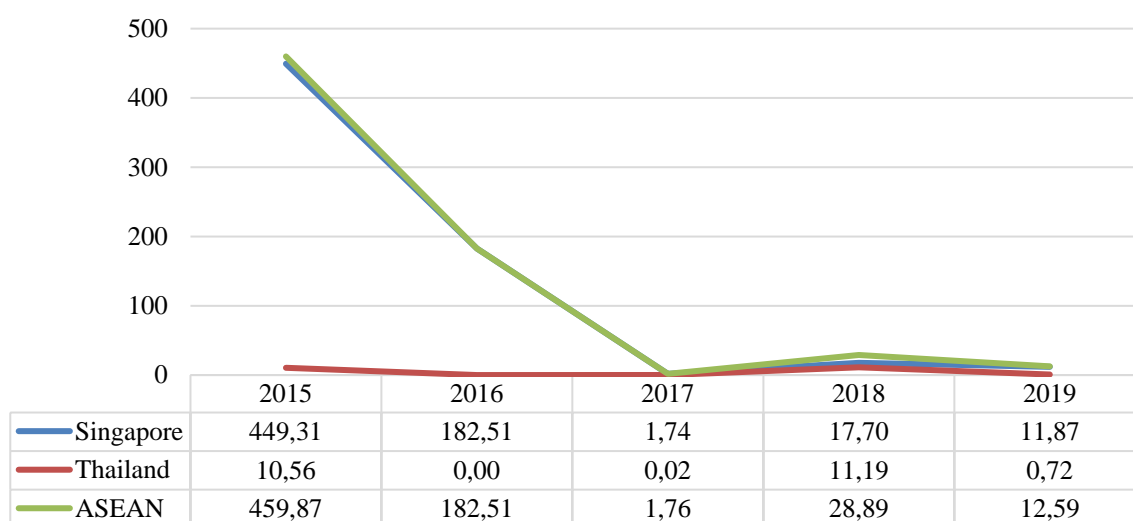


Figure 2 – Guangxi's Actual Use of Foreign Direct Investment from ASEAN, mln USD

Note – Source: [4].

Even if it is such a significant location advantage, China makes little use of ASEAN's foreign investment. And Guangxi, the province close to ASEAN in China, has very little FDI from ASEAN countries. With the upgrading of cooperation, Guangxi should strive to optimize its strategy of attracting FDI, and introduce more high-quality FDI from ASEAN in various ways, so as to help the economic development of Southwest China.

First of all, Guangxi government should actively expand the target areas to attract foreign investment. The government should regard all ASEAN members as an important region to attract investment [5]. And then it should focus on the analysis of the real reasons for not investing in Guangxi, and actively takes corresponding measures to attract ASEAN members to invest.

Secondly, the government should make effective use of the agglomeration effect, that is, actively deepen the cooperation with Singapore and Thailand to complete the construction of

demonstration projects. This measure can provide an effective channel for potential investors to understand China's market, regulations, economy, culture and policies [6]. It will also effectively reduce the decision-making risk of potential investors due to the lack of relevant information, and improve the confidence and strength of ASEAN members in Guangxi investment. On the other hand, due to the increase of foreign investment, the economic benefits of the city have been improved and the living environment has been improved. In this way, multinational enterprises that come to invest are more likely to obtain talents related to operation and management. When a large number of related enterprises concentrate on each other geographically, they can save production costs and expand production and consumption demand, which is conducive to mutual competition and cooperation.

Thirdly, Guangxi government should constantly improve and optimize the supporting infrastructure, especially the transportation facilities, and strive to build a China ASEAN business platform with border trade characteristics and integration of production and marketing. The platform can effectively promote the trade between China and ASEAN countries. This can effectively save the transportation cost and transaction cost of multinational enterprises, and attract ASEAN enterprises to invest in China.

Due to the adverse impact of the COVID-19, the global economic growth was very slow, and the form of economic recovery was relatively severe. Nevertheless, with the ACFTA upgrading protocol entry into force, the cooperation between China and ASEAN has become closer. In 2020, ASEAN has surpassed the EU and became China's largest trading partner in goods. However, the development of trade between China and ASEAN members is still uneven [7], one of which is that more than 90 % of China's FDI from ASEAN comes from Singapore.

As China's southwest border province, Guangxi has an important strategic position in the cooperation between China and ASEAN. However, from the perspective of absorbing FDI from ASEAN, it has only obtained FDI from Singapore and Thailand. Vietnam, which is close to Guangxi, has not invested in Guangxi. Guangxi should seize the opportunity, absorb the dividends released by the ACFTA upgrading protocol, and constantly optimize the FDI introduction strategy. In short, Guangxi can expand the target areas of attracting foreign investment, exert the agglomeration effect, and improve and optimize the supporting infrastructure. Only in this way can Guangxi expand the scale of FDI from ASEAN and achieve long-term economic and social development.

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