

CHINA'S DIRECT INVESTMENT IN ASEAN COUNTRIES AS THE PRECONDITION FOR IMPORT SUBSTITUTION DEVELOPMENT

Min Wenqing¹⁾, N. S. Shalupayeva²⁾

¹⁾ PhD student, Belarusian State University, Minsk, Belarus, minwenqing1998@gmail.com

²⁾ PhD in economics, associate professor, Belarusian State University, Minsk, Belarus, shalupayevans@bsu.by

Nowadays the world economy is in recession under the influence of the trade friction between China and the United States and the Covid-19 epidemic. At the same time the economic growth in Southeast Asia region is bright, in which the economic cooperation between China and ASEAN is crucial. This paper analyses the investment cooperation between China and ASEAN countries, which underlies the process of structural transformation of the economies of these countries and the development of import substitution in them.

Keywords: import substitution; science and technical cooperation; technology transfer; emerging markets; structural transformation.

ПРЯМЫЕ ИНВЕСТИЦИИ КИТАЯ В СТРАНАХ АСЕАН КАК ПРЕДПОСЫЛКА ДЛЯ РАЗВИТИЯ ИМПОРТОЗАМЕЩЕНИЯ

Минь Вэньцин¹⁾, Н. С. Шалупаева²⁾

¹⁾ аспирант, Белорусский государственный университет, Минск, Беларусь, minwenqing1998@gmail.com

²⁾ кандидат экономических наук, доцент, Белорусский государственный университет, Минск, Беларусь, shalupayevans@bsu.by

В настоящее время мировая экономика находится в состоянии рецессии под влиянием торговых противоречий между Китаем и США и эпидемии Covid-19. Между тем, в регионе Юго-Восточной Азии наблюдается заметный экономический рост, в чем решающее значение имеет экономическое сотрудничество между Китаем и АСЕАН. В статье проведен анализ инвестиционного сотрудничества между Китаем и странами АСЕАН, которое лежит в основе процесса структурной трансформации экономик данных стран и развития импортозамещения.

Ключевые слова: импортозамещение; научно-техническое сотрудничество; технологический трансфер; развивающиеся страны; структурная трансформация.

Introduction

With the proposal of the «Belt and Road» strategy, ASEAN, as one of the most dynamic emerging regional market in the world, and with the proposal of the U.S. «return to the Asia-Pacific» strategy, Southeast Asia have become an important battleground for the U.S.-China trade game. At present, the trade cooperation between China and ASEAN countries has been deepening, with obvious structural optimization, which is one of the successful cases of China's investment and technology transfer, and is of good guiding significance for China's future cooperation with other partner countries.

Results and discussion

Southeast Asian countries have a huge demand for infrastructure investment. For Southeast Asian countries infrastructure is an important way for them to achieve national development and modernization, but also to narrow the development gap between countries and realize the inevitable

course of regional integration [1]. For China, the promotion of infrastructure construction in Southeast Asia can promote the strategic convergence between China and ASEAN countries, and can also promote bilateral political interaction [2]. Through the construction of rail transportation, energy networks, and communication facilities, China effectively integrates into the local market, and achieving synergistic effects for the diffusion of relevant technologies.

China's investment stock in ASEAN countries is on the rise, totaling \$154.6 billion in 2022, especially for Singapore and Indonesia, accounting for more than half of the \$73.4 billion and \$27.4 billion, respectively, because the two countries are financial centers in the Southeast Asian region and the largest potential market (fig. 1).

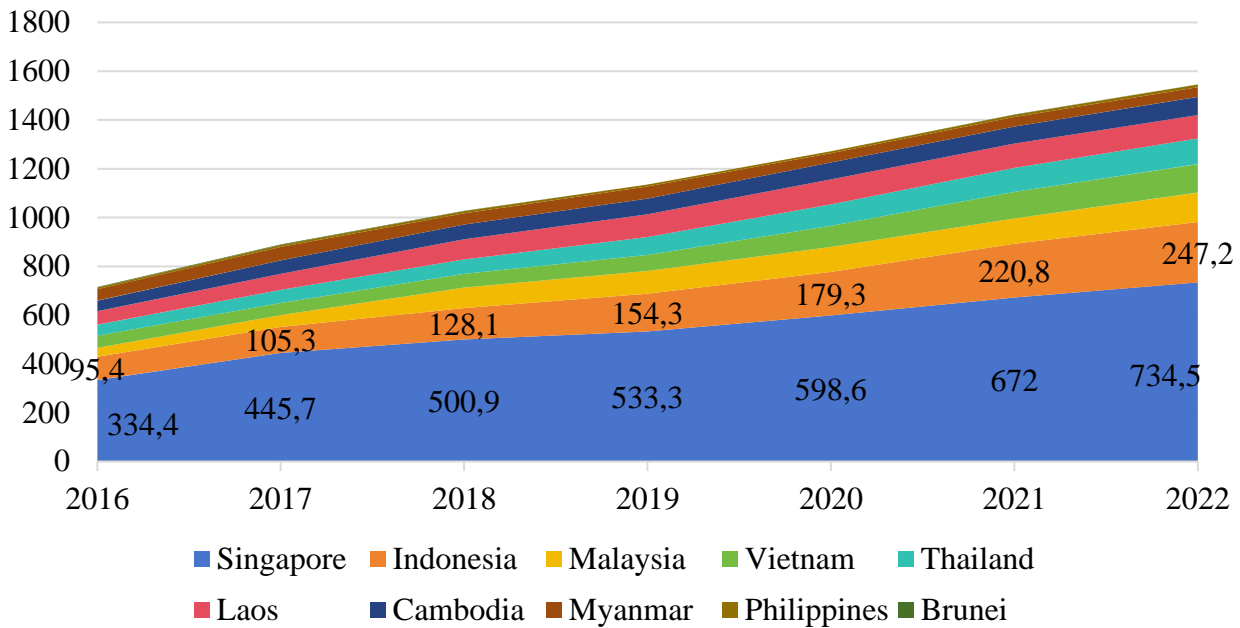


Fig. 1. China's stock of foreign direct investment in ASEAN, 2016–2022

Source of data: <http://images.mofcom.gov.cn/>.

For most of the technologically latecomers in South-East Asia, there are usually two paths to technological advancement, one being independent research and development (R&D) of innovative technologies, and the other being the introduction of advanced technologies from the technologically advanced countries through technology imports. For most Southeast Asian countries, introducing, digesting, and absorbing new technologies is more effective than completely independent R&D on their own. As an effective way to enhance the level of connectivity, the deployment of China's mature technical standards and technological achievements to countries along the Belt and Road can bring the following three effects:

Firstly, it can enhance the influence of Chinese enterprises in neighboring countries.

Secondly, it can promote the convergence of Chinese technology with other technologies [3].

Thirdly, technical standards can be used to improve the level of interconnection [3]. Moreover, the interoperability of technical standards will also improve the plight of China's technology export, reduce the difficulty of integration with the existing technologies of the countries along the route, and realize the expansion of industrial space and the improvement of engineering quality [4].

At present, the problems faced by China are mainly reflected in two aspects. First, at the level of upstream knowledge-intensive services and technology-intensive products, it faces various technology export control strategies implemented by the United States and its allies. Second, after the downstream production link, there are tariff barriers faced by the United States and the West when exporting to the market.

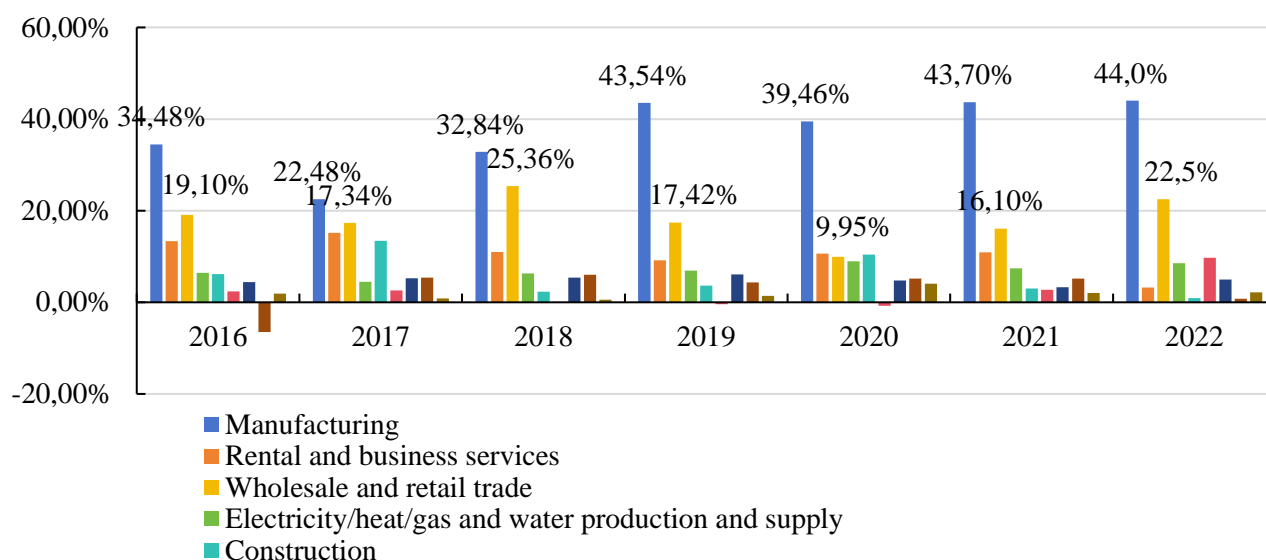


Fig. 2. Major sectors of China's direct investment in ASEAN countries in 2020–2022, %
Source: <https://cif.mofcom.gov.cn>.

Analysing the data in fig. 2, it can be concluded that China's investment in ASEAN has been gradually tilted to the manufacturing and retail industries, and in 2022, China's investment in the region's manufacturing industry accounted for 44 %. It allowed to integrate into the region Chinese standards, forming a technology alliance and breaking the technological monopoly of Europe and the United States in the region. And the proportion of investment in the retail industry has reached 22.5 %, indicating that Chinese enterprises attach great importance to the ASEAN market.

Conclusion

The cooperation between China and ASEAN countries is a reasonable decision made by both sides based on their own interests, and the logic of its realization of import substitution is based on the extensive investment in the field of infrastructure construction, transferring part of China's relatively backward industries to ASEAN countries; enabling ASEAN countries to form a certain degree of technological accumulation, and spreading China's technical standards, realizing the technological spillover effect, and realizing the upgrading of the industrial structure of ASEAN countries; and finally, through the potential of the ASEAN market to feed back to the import substitution of Chinese enterprises, and ultimately the formation of a complete upstream and downstream of the industrial and technological chain.

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