“Going global” and FDI inflows in China: “One Belt & One Road” initiative as a quasi-natural experiment

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1 | INTRODUCTION

Since the beginning of reform and opening-up in 1978, China's economic development has made great progress by attracting foreign investment. The inflow of foreign capital has lessened capital shortage, created new jobs and promoted technological progress through knowledge and technology spillovers. However, after decades of rapid economic growth, China's investment environment has changed. To the advantage of foreign investment, barriers to market entry have gradually been relaxed. More and more areas have implemented the management model of pre-establishment national treatment and negative list. Against this, labour costs are rising, domestic capital has gradually accumulated, and super-national treatment for foreign capital is gradually being phased out.

More importantly, after actively utilising foreign capital for many years, the Chinese government began to encourage enterprises to expand their overseas presence. At the third session of the ninth National People's Congress in 2000, China put forward the “going global” strategy. After more than 10 years of development, this strategy has recently made new progress—the construction of “One Belt & One Road” (OBOR). In 2013, during visits to Central and Southeast Asian countries, the Chinese leader proposed jointly building the Silk Road Economic Belt and the 21st Century Maritime Silk Road. In the third Plenary Session of the 18th CPC Central Committee, OBOR was set as a national initiative. The strategy of “going global” has promoted rapid growth of China's outward direct investment, which increased from US$2.9 billion in 2003 to US$146 billion in 2015. In 2015, China surpassed Japan to become the second largest foreign investor in the world, and the flow of outward direct investment exceeded the flow of inward direct investment, resulting in a net export of capital. In the same year, China's investment in the countries along one belt and one road reached US$19 billion, representing 13\% of China's total outward direct investment, with year-on-year rises of 38.6\%, twice of that of global investment growth.