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INVESTMENT PROBLEMS OF CHINA

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Annotation. A couple of problems of China's investment activity are considered in the article

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Investments represent one of the most important factor which determine the development of the economy. The leading role of investment in economic development is determined by the fact it results in accumulation of public capital, scientific and technological achievements implementation. Thus, a framework for expanding countries' manufacturing feasibility and their economic growth is created.

Investment in fixed assets has become the driving force of China's economic growth. Investment has a pulling and promoting effect through the association of industrial sectors, thus promoting the growth of other industries, and this promoting effect lasts for a long time. The growth rate of total assets of investments in fixed assets tends to decrease in recent years in China. Therefore, the identification of the reasons it becomes relevant.

In recent years, China's investment channels have been gradually liberalized, the scale of capital utilization has expanded year by year, and the financial effect of investment has gradually appeared. The amount of investment in fixed assets has grown rapidly since 2016 (Table).

By the end of 2020 the amount of investment in fixed (1995) market price had reached 21,449 bill yuan, an increase of 4,2% over 2019, total fixed investment expenditure at current market price had reached 47,420 bill yuan, an increase of 1,064% over 2019. Total fixed investment expenditure at current market price as a percentage of China's GDP decreased by 0,2 percentage points in 2020 and amounted to 41,2%.

This situation has developed because investment risks of the state and corporate levels have increased. China's obvious investment gaps are the following:

- Insufficient international coordination.

China had signed bilateral investment protection agreements with more than 100 countries and regions in the world. However, there are still some problems in these agreements. First, there are not many agreements to protect Chinese enterprises' foreign investment. As China has always been a net inflow country of foreign capital, and the capital-exporting country is a major country that has signed bilateral investment agreements with China, but after China has gradually become a capital-exporting country, it has not yet fully established corresponding investment protection arrangements with the invested countries to effectively protect the overseas investment interests of Chinese enterprises.

Table – EIU investment data of China

Name	2016	2017	2018	2019	2020
Total fixed investment calculated at fixed (1995) market price, bill CNY	17,794	18,755	19,692	20,593	21,449
Percentage change of total actual fixed investment over the previous year, %	6,6	5,5	5,5	4,6	4, 2
The percentage change of total fixed investment in the real GDP of China in the previous period, %	2,9	2,3	2,1	1,9	1,7
Total fixed investment expenditure at current market price, bill CNY	35,637	38,764	41,694	44,549	47,420
Percentage change of total fixed investment expenditure at current market price over the previous year, %	1,08	1,08	1,075	1,068	1,064
Total fixed investment expenditure at current market price as a percentage of China's GDP, %	42,9	42	41,7	41,4	41,2

Source: [1]

Second, most bilateral investment protection agreements mainly focus on private investment, but China's foreign investment in state-owned enterprises is relatively large. Developed countries and emerging economies such as Europe and the United States link the investment behavior of Chinese enterprises with ideology, and simple investment behavior is politicized, which restricts and hinders the normal investment behavior of Chinese enterprises, which makes Chinese enterprises face investment risks.

- China urgently needs to establish an investment guarantee system.

At present, there are three modes of investment insurance system: American mode, Japanese mode and German mode. The American model refers to bilateralism is the most promising. The system has strong binding force on both parties and can provide strong protection for Chinese enterprises with foreign investment. Japan's model is typical unilateralism. However, the American model based on bilateral investment protection agreements has not been adopted by the Insurance Guide of China Credit Insurance Corporation.

- China's legislation is relatively backward.

At present, China has not yet formed a national basic law on foreign investment, only the administrative regulations of relevant ministries and commissions under the State Council.

- The macro-control system of investment risk management is not perfect.

In the aspect of supervision, there are some problems such as disordered supervision and out-of-control supervision caused by the division of supervision functions, and the investment supervision system of some enterprises is imperfect. China's industry supervision system has established a relatively standardized overall framework, with Insurance Law as the core, with administrative norms at different levels, departmental regulations for different industries and different types of risks, and normative requirements for capital acquisition, investment and risk control. However, there are still many defects and deficiencies in the regulatory system, such as the low status of some normative documents which play an important role in the legal system, their limited influence and the lack of legal documents for capital investment risk management.

- Investment risk management concepts and technical means are backward.

In recent years, with the expansion of investment scale and the opening of investment channels, the requirements for risk management have been further improved, but the existing risk management culture and risk management system can no longer meet the development needs of investment business. Due to the backward concept of risk management, relevant personnel have a one-sided and narrow understanding of investment risk management, and investment risks and investment returns are opposite. In recent years, some large enterprises in China have actively introduced foreign advanced risk management tools. However, due to the late start, there is a big gap with foreign countries.

- Insufficient financial, credit and foreign exchange support policies.

"Going out" enterprises lack comprehensive tax support policies. In terms of taxation of goods and services, enterprises face the problem of double taxation when purchasing goods and services overseas, which directly increases the tax burden of enterprises. Due to the lack of tax exemption and deduction system for overseas investment risk preparation and the lack of corresponding government subsidies for enterprises listed overseas, it is impossible to effectively promote and support enterprises listed overseas in terms of financial and tax incentives.

According to the current Chinese tax law, the tax credits paid by enterprises for their overseas investment income are only deducted directly or hardly deducted indirectly. Tax design still tends to encourage foreign capital to "introduce", and does not give enough tax support to Chinese enterprises to "go global". The signing of tax treaties lags behind the need of enterprises to "go global", which increases the uncertainty of enterprises' overseas investment and operation. From the content of the international tax treaties signed, some tax treaties do not include tax incentives, tax collection and management cooperation, and non-tax differential treatment clauses generally lack tax discrimination and other clauses, which can no longer meet the needs of foreign development.

China's tax authorities have not yet established a perfect mechanism for collecting and guiding overseas tax information, and they lack in-depth cooperation with relevant national tax authorities and relevant international organizations, and have failed to establish an effective information exchange system to provide targeted, timely and comprehensive information on "going out" enterprises for the departments of industry and commerce, taxation, customs and finance.

Thus, the factors holding back Chinese investment are the following: insufficient international coordination, weak investment guarantee system and investment legislation, underdeveloped investment risk management, insufficient financial, credit and foreign exchange support policies.

List of literary sources

1. National Bureau of Statistics of China - www.stats.gov.cn/english.