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CHINA'S INVESTMENT CLIMATE AND IT'S CONTRIBUTION TO THE GLOBAL SUSTAINABLE DEVELOPMENT ACHIEVEMENT

The article analyzes China's experience over the past decades in creating an attractive investment climate for foreign investors. The primary purpose of the article is a comprehensive systemic study of the current state of foreign investment in the Chinese economy and the exploration of the effect of the growth of Chinese investment activity in the context of the PRC's contribution to global sustainable development. A fundamental theoretical assessment of investment policy indicators and economic growth data are conducted, statistical trends over the past fifteen years in order to determine the size, role, and importance of foreign investment in economic development and reform of the Chinese economy are reviewed. The primary research method was the study and analysis of literary sources. The methods of deduction and classification were also used during the research. The analysis evaluated such criteria for forming an attractive investment climate as particularities of the local market and its accessibility for foreign investors, existing currency risks and the issue of capital repatriation, particularities of intellectual property rights protection, state trade and monetary policies, political and macroeconomic stability. The main instruments of the Chinese government for regulating the investment policy of the state were also considered. The study focuses on identifying the main privileges and risks associated with investing in the PRC. The study results were also directed at determining the degree of attractiveness of the PRC's investment climate and its contribution to achieving global sustainable development.

The result of this work was a theoretical generalization and interpretation of the features of the Chinese experience in attracting FDI and forming an investment climate to address the new challenges facing the country and form the country's contribution to achieving global sustainable development goals. The work results are also relevant since, on their basis, it is possible to trace and determine the degree of attractiveness of the PRC's investment climate for start-up entrepreneurs.

Key words: *investment climate, investment policy, foreign direct investment, sustainable development.*

Проаналізовано досвід Китаю за останні десятиліття у створенні привабливого інвестиційного клімату для іноземних інвесторів. Метою статті є комплексно-системне дослідження сучасного стану іноземних інвестицій в економіці Китаю і ефекту від зростання китайської інвестиційної діяльності в глобальному контексті. Проведено фундаментальну теоретичну оцінку показників інвестиційної політики та даних економічного зростання, проаналізовано статистичні тенденції за останні п'ятнадцять років, щоб визначити розмір, роль та значення іноземних інвестицій в економічному розвитку та реформах китайської економіки. Основним методом дослідження стало вивчення та аналіз літературних джерел. Під час дослідження також було задіяно методи дедукції та класифікації. У результаті аналізу оцінено такі критерії формування привабливого інвестиційного клімату, як особливості місцевого ринку та ступінь його досяжності для іноземних інвесторів, існуючі валютні ризики та обмеження, пов'язані з репатріацією капіталу, особливості захисту прав інтелектуальної власності, державна грошово-кредитна політика, політична та макроекономічна стабільність КНР. Також розглянуто основні інструменти регулювання інвестиційної політики держави. Увагу зосереджено на визначенні основних привілеїв та ризиків, пов'язаних з інвестуванням в КНР. Результати дослідження мали визначити ступінь привабливості інвестиційного клімату КНР та внесок КНР у досягнення глобальних цілей сталого розвитку.

Таким чином, результатом цієї роботи стало теоретичне узагальнення та інтерпретація особливостей китайського досвіду залучення ПІІ та формування привабливого інвестиційного клімату з метою вирішення нових викликів, що стоять перед країною, а також оцінка внеску країни в досягнення глобальних цілей сталого розвитку. Результати роботи також є актуальними, оскільки на їх основі можна простежити та визначити ступінь привабливості інвестиційного клімату КНР для підприємців-початківців.

Ключові слова: *інвестиційний клімат, інвестиційна політика, прямі іноземні інвестиції, сталий розвиток.*

Introduction. China is committed to sustainable economic development based on measurable improvements in quality and efficiency. On March 5, 2021, at the CPC Central Committee plenum, recommendations regarding developing the **14th five-year plan for socio-economic development for 2021–2025 and long-term goals for 2035** were approved. Compared to the previous five-year plan, which aimed to maintain medium-high growth rates, the program for 2021–2025 places more emphasis on innovation, domestic demand, and quality of further development.

The creation and implementation of a new development model are among the PRC's priorities for the next five years. Despite a range of challenges, the decision to switch to a new development model is a long-term Chinese government strategy but not a temporary measure. The Chinese model of *"double circulation"* is based on creating an environment in which domestic and foreign markets can support each other. Such changes do not run counter to the PRC's policy of openness. On the contrary, they stimulate trade and investment flows. Technological innovation is crucial for the new development model, as China aims to significantly improve its innovation potential, strengthen its industrial base, and modernize the production chain. China is focused on quality growth, primarily using technology to create leadership strategies in overcoming the COVID-19 crisis, improve social and economic spheres, increase resource efficiency and improve the environment.

The state's high investment attractiveness is the main factor in increasing its competitiveness and ensuring high and sustainable socio-economic growth rates, which is a good foundation for overcoming the crisis, especially in the context of the latest geopolitical events. Having determined the degree of attractiveness of the PRC's investment climate, it is possible to predict a noticeable increase in the quality and efficiency of China on the path to sustainable economic development.

The main requirements for reviving any country's economy include a significant inflow of funds from private investors and the large corporate national capital that has managed to adapt most successfully to market conditions and provide a high return on investment. Thus, the **investment climate's attractiveness** is a defining moment for a foreign investor to decide on investing capital in the country. There is a *wide range of criteria* that should be taken under consideration while accessing the attractiveness of a country's investment climate. Among these criteria, it worth mentioning particularities of the local market and its accessibility for foreign investors, existing currency risks and the issue of capital repatriation, particularities of intellectual property rights protection, state trade and monetary policies, political and macroeconomic stability, etc. All mentioned above indicators will be accessed further to define the degree of PRC's investment climate attractiveness.

The primary **purpose** of the article is a comprehensive systemic study of the current state of foreign investment in the Chinese economy and the exploration of the effect of the growth of Chinese investment activity in the context of the PRC's contribution to global sustainable development.

Research methods. The primary research method was the study and analysis of literary sources. The methods of deduction and classification were also used during the research. The analysis evaluated such criteria for forming an attractive investment climate as particularities of the local market and its accessibility for foreign investors, existing currency risks and the issue of capital repatriation, particularities of intellectual property rights protection, state trade and monetary policies, political and macroeconomic stability.

Results of research. As far as the formation of the investment climate is directly affected by the country's investment policy, let us begin by considering a set of the PRC's activities to find investment sources and establish rational areas of their use. The practical implementation of any country's investment policy makes strict requirements for the mode of functioning of the economy, directions and efficiency of investment resources use, and institutional transformations' speed and effectiveness.

The People's Republic of China has demonstrated high economic growth stability despite a set of adverse external influences. In particular, during the global financial and economic crisis within the period 2008–2009, China's GDP growth rate constituted to paradoxical 9% in these years. This fact indicates that the **Chinese distinctive investment policy reached much of this sustainability**.

As part of its reform and modernization strategy, the PRC's investment policy largely determines the high economic growth rates and social changes in China. It is increasingly found continuation in the country's foreign economic course and has a growing *impact on neighboring states' economies*.

Besides, it is worth mentioning that China's success in attracting foreign investment is one of the critical factors that predetermined its rapid economic growth. China ranks first in the world in attracting foreign direct investment (FDI) among developing countries. Moreover, it should be emphasized that the volume of FDI in the PRC is steadily increasing every year (Fig. 1).

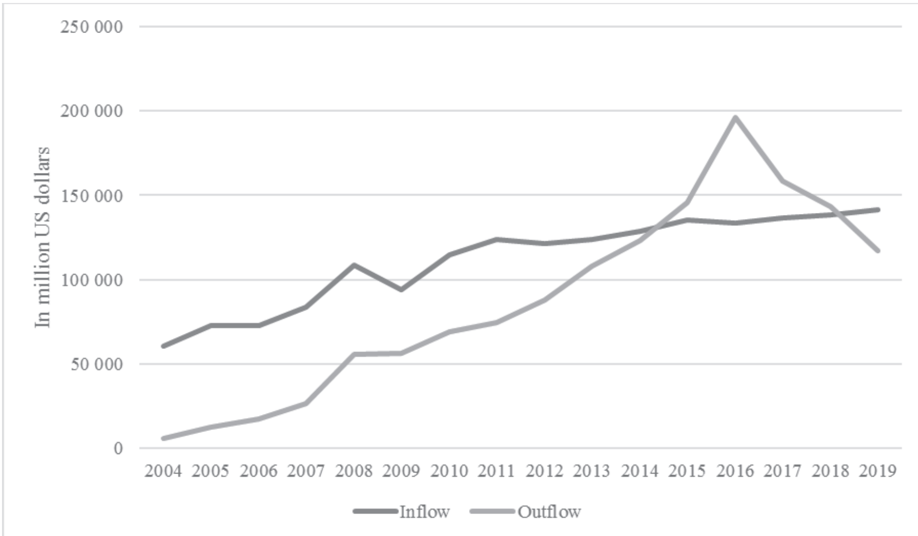

Fig. 1. FDI inflow to/ outflow from People`s Republic of China, in million US dollars, 2004–2019

Source: The graph is created by author based on data provided by UNCTAD statistics, 2021 [1].

Analyzing the above graph, it is essential to note that China was a recipient country during 2004–2014, while in 2015–2018, there was an increase in investment outflow from the PRC, exceeding the inflow of FDI. Thus, such observations confirm that among the main reasons for the rapid growth of the Chinese economy today, in addition to the inflow of foreign direct investment, one can single out an active policy of expansion of Chinese capital into foreign markets. As one of the largest recipients of FDI, the Chinese government could transform foreign capital for independent external investment competently. Like many countries in the world, the PRC predominantly invests in countries with stable economies. Following the same principle, the PRC government chooses sectors for capital investment that can bring as many benefits as possible to the donor country, the role of which is played by the PRC, and help increase national welfare. Another vital factor pushing Chinese businesses to invest overseas is tight domestic demand. The PRC is characterized by a high rate of capital saving, limiting the channels for marketing products within the country, which, in conditions of overproduction, is a signal for companies to go outside. Thus, gross savings in 2019 amounted to almost 50% of the country's GDP.

However, considering China as a country with an attractive investment climate, it should also be emphasized that the sectoral structure of FDI inflows has undergone significant changes over the past fifteen years: at the beginning of the 21st century. The Chinese economy's secondary and tertiary sectors accounted for 61% and 37% of total FDI, respectively. By 2019, the share ratio of the secondary and tertiary sectors in the structure of inward FDI has changed dramatically – 19% versus 70%. Due to the rapid pace of economic development of the Chinese economy, the secondary and tertiary sectors are attracting many developed and developing countries (Fig. 2 and Fig. 3).

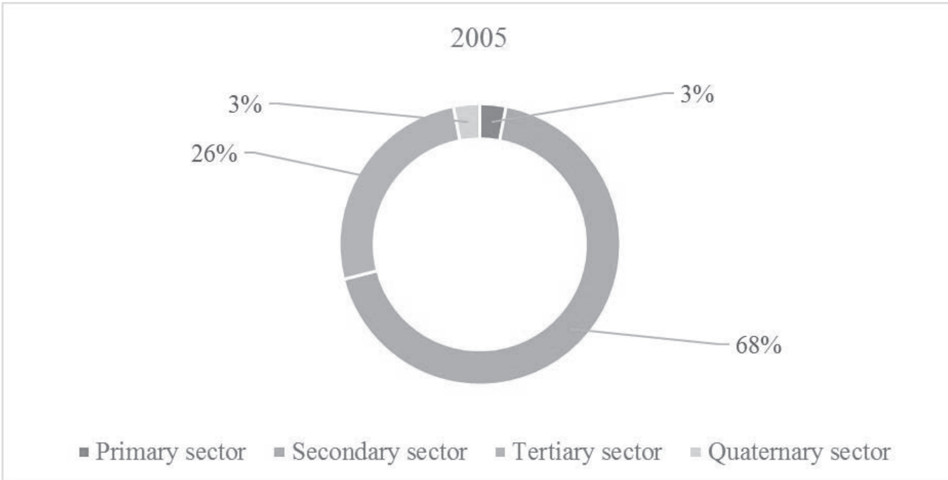

Fig. 2. The percentage ratio of the number of projects with the attraction of foreign direct investment by sector in percentage, 2005

Source: The diagram is created by author based on data provided by National Bureau of Statistics of China, 2020.

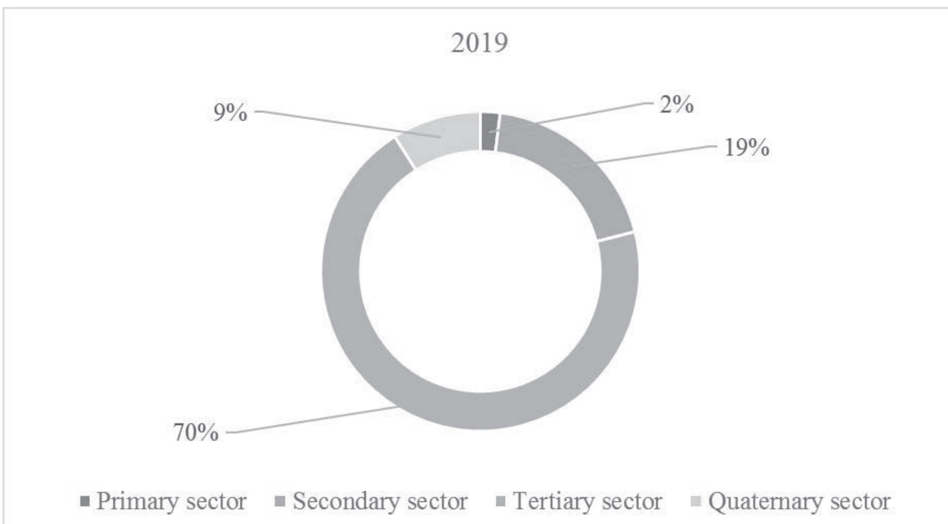

Fig. 3. The percentage ratio of the number of projects with the attraction of foreign direct investment by sector in percentage, 2019

Source: The diagram is created by author based on data provided by National Bureau of Statistics of China, 2020 [2].

Analysing the above pie charts, it is worth emphasizing that China is often called the world factory. Since the beginning of the opening-up reform, there has been a significant rise in the secondary sector. It was profitable for foreign investors to invest to save on workers' wages and the cost of other resources. However, in the last decade, there has been a flow of investments from the secondary to the tertiary sector since foreign investors began to view the PRC market as the market of the final buyer. In turn, manufacturers are changing their production strategy, making a transition from cheap export products to goods with higher added value. The exact reason for the changes mentioned above in the structure of FDI distribution is that in 2007–2008, the PRC government adjusted its policy to attract foreign investment in the service sector. Under the adopted Law of the People's Republic of China "On Corporate Profit Tax," a 25% corporate income tax was introduced instead of the previous, higher tax (33%) for companies engaged in specific segments of the service sector [3].

It should be mentioned is that the PRC is making progress in developing its domestic market, which is done in a limited period. It is worth emphasizing that China operates as a socialist market economy characterized by state-owned enterprises and state-owned property within a market economy framework. However, by definition, a market economy is an economy in which critical decisions are controlled by supply and demand, which are two key factors affecting prices. Based on the above, it is worth emphasizing that over the past 15 years, China has used a strategy to stimulate domestic consumption by reducing the tax burden put on the population. This mechanism operating principle was as follows: reduced VAT results in a reduced number of taxes that increases the threshold of the non-taxable minimum for individuals and small businesses [4].

In terms of foreign investment, over the past two decades, China has expanded its market access to competing in similar conditions with Chinese companies. Previously, foreigners were subject to a number of restrictions, including areas that were listed in the so-called "negative list," which were controlled by the state, and only Chinese enterprises could invest there.

Another significant change in the PRC's domestic market was the fight against unemployment: China adhered to closing inefficient enterprises and immediately providing new jobs for employees. In the National People's Congress session in 2018, the plan was announced to create 11 million new jobs in 2019, which was finally implemented within the assigned time.

Analyzing **market accessibility**, it should be noted that over the past 15 years, the PRC has completed the transition from a quantitative increase in external resources to a multilateral system of encouraging foreign investment, taking into account their qualitative characteristics. This resulted in diversification of investments and investments in medium and long-term projects. It should be noted that over the period 2005–2019, China changed the principle of attracting investments from **territorial to sectoral**. Thus, the support for underdeveloped industries began. Therefore, over the past 15 years, entrepreneurs have been encouraged to invest in areas beneficial to the state. This investment policy focused on the most effective technical and science-intensive projects in priority sectors. Foreign direct investment also began to be attracted more actively in retail trade, real estate, transport, insurance, consulting, and financial services [5, p. 34].

One of the features in the legal regulation of investment in China is the creation of **investment regimes**. Opportunities and conditions for investing in individual sectors of the economy differ depending on the category to which the investment belongs. This nuance of Chinese investment policy preserves the PRC's national interests in a number of priority areas for the state. It is worth noting that foreign investments in the PRC are divided into encouraged, permitted, restricted, and prohibited.

As noted earlier, **“encouraged”** foreign investments in investment projects should correspond to three main characteristics: science-intensiveness, a high level of resource conservation, and environmental safety. Since the Chinese economy proliferates, the PRC’s investment policy is shifting from attracting foreign investment in quantitate terms to its quality [6, p. 315].

Permitted investments include all types of activities not mentioned in the categories “encouraged,” “restricted,” “prohibited.” Thus, foreign investment in agriculture, textiles, chemicals, petrochemicals, aerospace, electronics, metallurgy, and energy is permitted. There are more than 260 directions to invest in.

Restrictions on foreign investment have been established for specific sectors of the mining, chemical, food, textile, and tobacco industries, oil refining, and energy production. For example, there are restrictions on investment in thermal power plant construction and operation with a capacity of up to 300 thousand kW.

Foreign investments are **prohibited** in mining, air transportation management, in the broadcasting sector (television and radio service), the publication of books, newspapers, and magazines, and in enterprises producing weapons. Foreign investment in projects that require a lot of energy and use of rare minerals is limited. Prohibitions remain for industries involving a large number of patents and copyrights.

Although the Chinese economy is one of the largest in the world, **the exchange rate is still tightly controlled by the government**. Through a significant foreign exchange reserves expenditure, the government manages to maintain the exchange rate at the target level. However, the constant expectations of the Yuan’s devaluation negatively affect the plans of investors regarding the Chinese economy, which leads to significant capital outflows. It is worth noting that in China, from 1994 to 2005, there was a fixed regime when the **Yuan was pegged** to the US currency at **8.28 per dollar** [7, p. 24].

However, in July 2005, the Yuan became pegged to a basket of currencies. When implementing this approach, the People’s Bank of China monitored currency fluctuations, but the market itself determined the trend. In August 2015, the People’s Bank of China announced that it would continue to reform the Yuan’s exchange rate regime, emphasizing the more significant influence of supply and demand on the formation of the exchange rate. As a result, the Yuan fell sharply and reached the lower limit of the fluctuation range. In January 2016, a new formation mechanism was adopted based on the closing price and the exchange rate’s theoretical value, which will **keep the currency basket index unchanged**. The main point of this technique is to take into account both market supply and demand and the stability of the currency basket [8].

Being afraid of the yuan fall, the Central Bank of China intervened to control the depreciation extent. As a result, the market reform of the exchange rate was abruptly interrupted. Although the intervention ultimately stabilized the Yuan’s exchange rate, the *risk of devaluation is still felt*. Hence, it should be emphasized that while implementing the market reform of the exchange rate regime, the problem of the negative impact of devaluation expectations on the Chinese economy remains.

It should be emphasized that the primary measures of China's monetary policy include two instruments: open market operations and foreign exchange controls. The second may involve restrictions on the purchase of foreign currency by individuals (the annual purchase volume should not exceed **50 thousands USD**), as well as stricter punishment for illegal transportation of foreign currency across the border. The most significant requirement for almost all enterprises is an obligatory exchange of foreign currency at their disposal. However, the intervention has costs (Fig. 4).

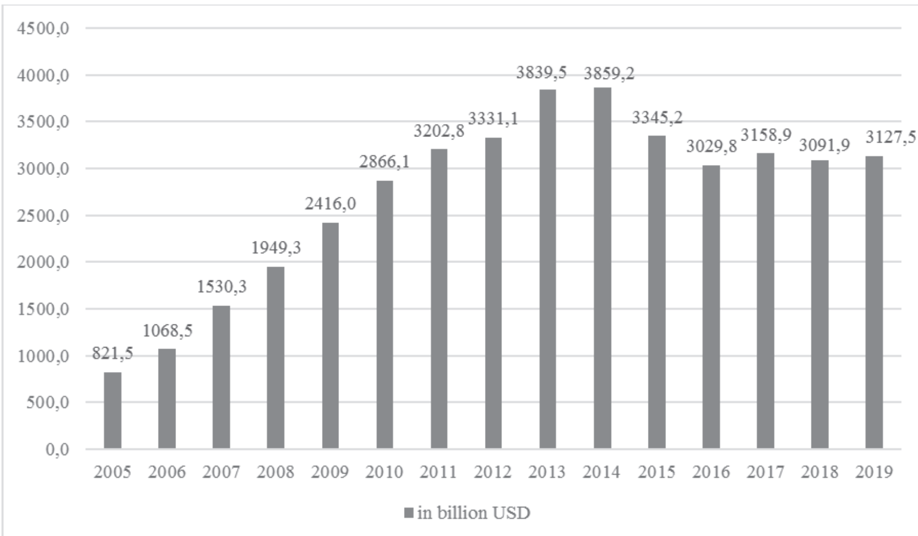

Fig. 4. The volume of foreign exchange reserves in China during 2005–2019, in billion US dollars

Source: The graph is created by author based on data provided by UNCTAD statistics, 2021 [1].

Based on the above-constructed diagram, it worth emphasizing that the efforts of the Central Bank to manage the exchange rate and stop capital outflows negatively affect the country's foreign exchange reserves, which approached the world maximum of 3.85 trillion USD in 2014, and then sharply "felt" below the lowest level in 2011. As of the 2019 year, the country's foreign exchange reserves (excluding gold) were recorded as 3.12 trillion USD.

Thus, the exchange rate regime's market reform is critical for transforming China's economic system and is one of the essential conditions for the effective implementation of macroeconomic policies. However, pressure on the currency without a flexible exchange rate that can quickly respond to supply and demand, the state's resources run the risk of being depleted, the loss of national welfare risks increasing along with the outflow of investment capital.

Concerning political stability, it should be noted that China, like other BRICS countries, faces many challenges and threats to development and political stability. Ignoring or underestimating the external environment's impulses and internal social factors can give the illusion of stability and create conditions for re-evaluating the achievements of recent years. At the same time, the resounding successes in China's economic development do not exclude the growth of social problems such as social inequality, rising inflation, and unemployment. For example, the **Gini coefficient**, which measures the income gap between the rich and the poor in China, was equivalent to 0.46 in 2019, which signifies that the issue of **social inequality is still acute** [9]. Besides, as a substantial exporting country, China is increasingly faced with a situation associated with the threat of destabilization of the global economic system, including the threat of another global financial crisis.

On the other hand, among the main parameters of **Chinese society's political stability**, it is necessary to underline institutional stability, value and cultural foundations of society, the legitimacy of power, and its effectiveness, which are directly related to objective indicators of socio-economic development. Moreover, the **criminal rate is relatively low**, contributing significantly to Chinese society's political stability [10]. These characteristics of modern Chinese society positively impact the formation of an attractive investment climate for foreign investors.

Macroeconomics of the PRC is strategically aimed at increasing the welfare of citizens and conduct structural reform. It should be noted that over the past 15 years, an important measure to achieve the assigned goals was to increase the role of innovation in the economy. Nowadays, a number of significant scientific and technical projects are being implemented, and scientific centers are being created. The need to stimulate the development of digital technologies, cloud technologies, and the Internet is declared. In addition, to stimulate enterprises engaged in innovative activities, a system of tax incentives has been developed. Many programs have been designed to support this sector, and government funding has been strengthened. Thus, despite the slowdown in economic growth, China continues its stable development, which indicates the effectiveness of solving the set of macroeconomic tasks. It is also worth noting that in 2011 ***China's Global Growth Environment Score (GES)***, calculated by Goldman Sachs based on five groups of indicators (macroeconomic stability, investment climate, scientific and technological potential, human capital, political conditions), was the highest among the BRIC countries. In particular, China ranked best in terms of macroeconomic stability, openness to trade, and the cost of doing business [11].

As far as China is concerned with the issue of innovational development, the issue of **intellectual property protection** arises. The copyright objects created in the country can be registered. This procedure could be done at the China Copyright Center. The cost of this procedure varies within the range of 15-80 USD. The state protects copyrights associated with science, literature, art, design, interface layout, computer software, etc. Protection is carried out in accordance with the national laws of the PRC on copyright. In case of infringement of exclusive rights, it is possible to contact the specialized courts for intellectual property in Beijing, Shanghai, and Guangzhou. Copyright registration in China is voluntary. The publication of work in the PRC or depositing it with the National Copyright Administration is considered sufficient evidence of the copyright holder's authorship. However, if the copyright holder still wants to register the rights and receive a certificate, it must follow the procedure mentioned above. The copyright registration certificate can be used as evidence in court and any other controversial situation. Copyright registration in China is valid for the author's entire life, plus 50 years after his death.

An integrated approach distinguishes the state policy of the PRC in the field of attracting foreign investment. Stimulation of foreign investment in the country's economy is carried out through **tax and monetary policy mechanisms**.

The PRC government facilitates the inflow of foreign capital into the country with various economic policy instruments. Among them:

1) preservation in the development funds of companies of dividends accrued on state blocks of shares. Until 2007, the entire amount of state dividends remained at the disposal of the companies. Since 2007, industrial enterprises have contributed 5–10% of their annual profits to a particular capital construction fund, which in turn is also used to finance public sector investments based on government priorities;

2) maintaining low prices for the main factors of production. According to some estimates, government subsidies of fees and tariffs for land use, water and energy supply, labor resources, and capital in total reach 10% of GDP, which significantly reduces production costs, increases its profitability and return on investment;

The Chinese government is also taking steps to *simplify the procedure for considering and approving investment projects*. In 2009, the Ministry of Commerce of the PRC authorized its regional divisions in the provinces to decide on the approval of investment projects in "incentive" industries, except for cases affecting national interests. It also allowed them to consider and approve the creation of holding companies with a total investment of up to 100 million USD.

To attract foreign investors, to ensure the transfer of advanced technologies to the PRC, ***special economic zones (SEZ)*** are being created, where tax incentives are widely used.

Currently, there are **five SEZs** in China: Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, as well as the Pudong New District, which is equivalent in status to them and is an integral part of Shanghai. In August 2013, the State Council of the People's Republic of China officially approved the creation of the Shanghai Experimental Free Trade Zone with a total area of 28.78 sq. km, covering four areas of Shanghai, which is under special customs control. This zone's significance lies in the search for a new path and a new model for the policy of reform and opening up in China. Its primary goals are to lift restrictions on foreign investment, create a level playing field for public and private capital, and freely convert the yuan on capital accounts. Foreign enterprises registered in this free trade zone receive more incentives in terms of authorized money and registration conditions than in any other place in China, and restrictions on the consideration and approval of an enterprise's registration are much reduced.

An essential factor in the inflow of foreign capital to the PRC is a significantly improved **legislative framework**. According to the terms of membership in the World Trade Organization (WTO), the PRC government amended about 3,000 legislative acts, departmental rules, regulations, and instructions, created a legal system in accordance with the WTO rules. Moreover, it has constantly increased the level of law enforcement and the transparency of the relevant political guidelines. By joining the WTO, China has acceded to the organization's main agreements (General Agreement on Tariffs and Trade, General Agreement on Trade in Services, Agreement on Trade-Related Aspects of Intellectual Property Rights, Agreement on Trade-Related Investment Measures) and pledged to provide foreign investors with most favored nation treatment and national treatment in many sectors. For example, national treatment was introduced against foreign companies in the gold mining industry, which was previously subject to tight government regulation. The dual taxation system of income tax had to be eliminated [12].

Separately, it is worth noting that **well-developed infrastructure**, especially transport, also contributes to attracting foreign investment in the PRC. The PRC is one of the top three countries with the longest roads and railways and the largest merchant fleet.

1. The development of foreign capital in the economy of the PRC promotes increased competition in the domestic market, increasing the number of private companies and, as a result, improving their productivity in the service and industrial sectors. One of the main ways for foreign enterprises to enter the PRC market is to conclude mergers and acquisitions. With the continuous growth of the Chinese economy, M&A deals are the best alternative to greenfield investment projects. The State Committee for Development and Reforms of the PRC, jointly with the Ministry of Commerce of the PRC, issued a regulation "On mergers and acquisitions between companies registered in China with the participation of foreign capital and Chinese enterprises of any form of ownership," which includes the following types of transactions:

1) The acquisition by a foreign investor of shares of a PRC company or a subscription to the issue of shares of a PRC company.

2) Purchase by a foreign investor of the assets of a Chinese enterprise for business expansion.

3) Acquiring a Chinese enterprise's assets to open a new production facility with foreign capital.

Chinese legislation stipulates that foreign companies' economic activities must be registered and entered in the appropriate register. To invest FDI in the service sector or industry, a foreign investor has two options. There are two types of foreign direct investment enterprises in China: joint ventures and fully foreign-controlled companies.

Even though China provides investors with unique opportunities, there are still a number of **risks** that are important to consider [13].

2. Volatility. The Chinese economy is characterized by a very developed dynamic, which is inevitably associated with such a concept of risk as volatility. Chinese economics could be represented by sudden ups and downs of the Chinese stock market, as was the case. For example, in 2015, Chinese stock indexes fell by almost 20% in a few days [14].

3. Monetary system is tightly controlled by the government. Even though China is tightly integrated into the world economy, one should not discount the fact that the Chinese monetary authorities quite seriously control its monetary policy.

4. Difficulties with the export of capital. It should also be noted that, formally in China, laws restrict the export or movement of capital across the border. For example, a foreigner who has an account in a Chinese bank has the right to withdraw from the account and transfer abroad no more than 50,000 USD, which is not in favor of an ordinary private investor.

Summarizing interim findings, it worth underlying that despite a number of issues that remain in the process of further development and improvements, today's China remains one of the most attractive places for foreign investors.

Considering the **Ease of Doing Business score** in the PRC, in 2019, the index mentioned above was equal to 74, while in 2020, this index was already 78.4. Such indicators put China on a par with European countries regarding the attractiveness of the investment climate [15]. Such impressive outcomes and achievements of PRC are based on the countries' trend to the sustainability also. Besides, it is also worth noting that as of 2019, China ranks **28th** in countries' ranking according to the **Global Competitiveness Index (**among 141 countries**)**. China has improved its previous performance by 1.3 points. According to the latest data, the PRC has the best results among other BRICS countries. For example, China is 15 positions ahead of the Russian Federation, 32 places ahead of South Africa, and 40 positions ahead of India. The global competitiveness index assessment included such criteria as the analysis of the financial system of the state and the labor market, business dynamics, innovation capability of the country, etc. In calculating the global competitiveness index, China scored the maximum possible points in assessing the criteria related to the *analysis of the market size* and the assessment of the country's *macroeconomic stability* [16, p. 154]. It worth underlying that those indicators usually are taken into account by foreign investors when assessing the attractiveness of China's investment climate.

It is also worth noting the **Global Sustainable Competitiveness Index**, which is more comprehensive than the previous indicator since its calculation includes an analysis of 116 indicators from various spheres of government activity. In 2020 China occupied **37th position** in the list of 180 countries ranked by the index mentioned above. The PRC once again was ahead of all BRICS countries. An interesting fact is that the most highly rated criterion in assessing China is the *Intellectual Capital Index*, which is included in calculating the Global Sustainable Competitiveness Index. Such results demonstrate that China has a leading global role in creating and implementing innovations [17, p. 6].

In drawing **conclusions**, it worth noting that among the factors contributing to the inflow of foreign investment in the PRC, the following can be distinguished: a stable economic and political situation in the country, the continuity of the political course, a huge domestic market, a well-developed infrastructure, a systemic and clear national investment policy focused on the development of high-tech and knowledge-intensive sectors of the PRC economy, a transparent and international legal framework regulating the investment activities of enterprises with foreign capital in People's Republic of China. Besides it worth being stressed that the PRC is taking a course towards achieving sustainable development goals, creating an internal climate that is comfortable for the population and attractive for foreign investors. It is worth noting that by accomplishing high results in its economic development and innovation, China contributes to global sustainability.

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