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China's Outward Direct and Portfolio Investments

Hung-Gay Fung, Qingfeng Wilson Liu, Erin H. C. Kao

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Abstract

This paper analyzes developments and trends related to China's outward direct and financial investments by examining Chinese firms'overseas acquisitions, China's holdings of US Treasury securities, and the recently formally launched Qualified Domestic Institutional Investor programs. Strategies should be developed to reach optimal decisions for both direct and portfolio investments. We argue that China should have a longer-term view for both direct and portfolio investments, enabling China to become the leader in Asia while maintaining its sustainable growth objective. China should invest heavily in the development of the Asian bond market and the Asian Currency Fund when making both portfolio and direct investment decisions.

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