**State-Led vs. Market Freedom: The Value Conflict and Integration of China-U.S. Foreign Direct Investment Models**

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In the evolving global economic landscape, China and the United States have emerged as dominant players in foreign direct investment (FDI), yet their investment models reflect fundamental value differences that extend beyond economic strategy into the realm of global governance and ideological competition. These differences in investment philosophy, regulatory approaches, and risk-sharing mechanisms have shaped the way both nations engage with developing countries, particularly in Africa and Southeast Asia, influencing the economic and political choices of host nations.

According to the United Nations Conference on Trade and Development (UNCTAD), global FDI flows in 2023 amounted to $1.3 trillion, with China and the U.S. contributing $147.85 billion and $373 billion, respectively, accounting for 40% of total global FDI.[1] Despite their dominant roles, their investment directions, structural approaches, and underlying values diverge significantly, leading to both competition and selective collaboration in global economic development.

China’s investment model is state-led, rooted in government planning, long-term infrastructure loans, and the strategic deployment of state-owned enterprises (SOEs).[2] It prioritizes developmental sovereignty and non-interference in domestic affairs, positioning its FDI as a tool for long-term economic transformation rather than immediate market efficiency. The Belt and Road Initiative (BRI) exemplifies this model, having expanded its reach to over 150 countries, with cumulative financial flows—including investments, loans, and engineering contracts—exceeding $1 trillion. Flagship projects such as the China-Laos Railway, built with an investment of $5.9 billion, demonstrate the model’s large-scale, government-backed approach. The World Bank forecasts that this railway could boost Laos’ GDP growth rate by over 1.5% annually in the long term, reinforcing China’s emphasis on infrastructure-driven economic integration.

This state-led approach was also evident in Africa throughout the 2010s, when China became the region’s largest infrastructure financier, accounting for over 30% of total infrastructure funding at its peak.[3] However, recent shifts in global investment trends and an increasing emphasis on financial sustainability and risk assessment have led to a moderation in large-scale infrastructure lending. China is now transitioning toward public-private partnerships (PPP) and industrial cooperation, ensuring a more balanced and economically sustainable engagement with developing countries.

In contrast, the U.S. adopts a market-driven model, prioritizing private-sector investments regulated by transparency, competition, and governance standards. This model aligns FDI with market efficiency, economic liberalization, and rule-based global integration, often conditioning investments on political and regulatory reforms. The U.S. International Development Finance Corporation (DFC) has structured an investment portfolio exceeding $50 billion from 2020 to 2024, with a strategic focus on clean energy, digital infrastructure, and healthcare. Additionally, the U.S. actively promotes supply chain diversification, particularly in semiconductors and critical technology sectors, aiming to reduce reliance on Chinese manufacturing. However, the political dimension of U.S. investments—such as data privacy mandates, labor standards, and governance reforms—complicates host countries’ decision-making, as they must balance economic benefits with sovereignty considerations.

These conflicting value systems—China’s state-led development model versus the U.S. market-liberal approach—create complex trade-offs for host nations. Developing countries seeking infrastructure and industrial development may benefit from China’s rapid deployment of capital and government-backed guarantees, but they must navigate concerns over economic dependency and long-term financial commitments. Meanwhile, those engaging with the U.S. face stringent regulatory conditions and private capital constraints, which can slow project execution and limit investment in high-risk sectors, such as infrastructure in underdeveloped regions.

Despite these ideological divides, selective integration of these investment models is both possible and necessary, particularly in climate finance, public health, and digital infrastructure. Multilateral frameworks such as the Asian Development Bank’s "blended finance" model, which has facilitated over $8 billion in co-investments from China, the U.S., and Japan, demonstrate the potential for pragmatic collaboration in global economic development. Similarly, the G20’s Debt Transparency Initiative represents an effort to harmonize China’s infrastructure financing with U.S. regulatory frameworks, offering host countries a more balanced financial architecture.

Developing nations play a pivotal role in shaping how these value-driven investment models evolve. Regional agreements such as Agenda 2063 (African Union) and RCEP (Regional Comprehensive Economic Partnership) provide developing countries with increased bargaining power, enabling them to leverage China-U.S. competition to their advantage.[4] For instance, South Africa’s Foreign Investment Act establishes a neutral investment screening framework, reducing political interference in investment decisions, while Indonesia’s nickel mining regulations require foreign firms to comply with local ownership and resource-processing mandates, successfully balancing economic interests and sovereignty concerns—a challenge many developing countries face when navigating between China’s state-driven and the U.S.’s market-led FDI models.

This study concludes that the value conflict between China and the U.S. investment models is not simply an economic competition but a reflection of broader global governance disputes. The contest between state-led strategic investments and market-driven liberalization is shaping how nations engage with FDI, influencing both global investment patterns and the geopolitical landscape. However, this competition is not entirely irreconcilable. With the advancement of multilateral cooperation mechanisms, developing nations can strategically leverage this rivalry to secure economic benefits, maintain policy autonomy, and promote sustainable development.

Instead of passively adapting to the competing economic ideologies of China and the U.S., host countries should proactively design investment frameworks that align with their long-term development priorities, ensuring that FDI serves national interests rather than external geopolitical agendas. Ultimately, the integration of state-led and market-driven investment models is not merely a response to economic competition—it represents an opportunity for developing nations to establish a more diversified, autonomous, and resilient global investment order.

**Referneces**

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