Developing China
The Remarkable Impact of Foreign Direct Investment
Michael J. Enright

Using a unique economic impact analysis, Professor Michael Enright quantifies — for the first time — the remarkable impact of investment by foreign invested enterprises (FIEs) on China’s economic development.

All currencies expressed in US dollars.

FDI flows into China

$120 billion FDI in 2015

In 2015, nearly $120 billion of foreign direct investment flowed into China. FDI continues to have a remarkable impact on GDP and employment.

FDI impact on China

The impact of FIEs and the ripple effects through their supply chains in recent years has been on the order of ...

33% of China’s GDP

27% of China’s employment

600 million people out of poverty

Between 1990 and 2010, over 600 million people in China were lifted out of poverty and were provided with living-wage jobs that paved pathways into the middle class.
3 cities that benefitted from FDI in China

Tianjin

When the operations in industries that account for just 51% of FDI are taken into account, the impact of foreign investment and FIE operations in 2011 was:

- 22% total GDP
- 21% total employment

Chongqing

When the operations in industries that account for just 34% of FDI are taken into account, the impact of foreign investment and FIE operations in 2013 was:

- 16% total GDP
- 7% total employment

Shenzhen

When the operations in industries that account for just 66% of FDI are taken into account, the impact of foreign investment and FIE operations in 2013 was:

- 41% total GDP
- 43% total employment

These measurements only cover FDI in certain industries such as mining, manufacturing and utilities. If FDI and FIEs in services and other industries where the impacts cannot be traced as readily have anything like the impacts in these sectors, then the total impact of FDI and FIEs in these cities could range from 35% to 60% of GDP.

3 key industries that benefitted from FDI in China

<table>
<thead>
<tr>
<th>Sector</th>
<th>Assets</th>
<th>Revenue</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers, communication &amp; other electronics</td>
<td>59%</td>
<td>72%</td>
<td>57%</td>
</tr>
<tr>
<td>Automobiles</td>
<td>40%</td>
<td>46%</td>
<td>55%</td>
</tr>
<tr>
<td>Leather, fur, feather &amp; related products</td>
<td>44%</td>
<td>37%</td>
<td>33%</td>
</tr>
</tbody>
</table>

In 2013, FIEs contributed to total.

The remarkable success of China in utilizing FDI illuminates the mutually beneficial partnership between investing companies and host economies and the way forward for other countries as they consider their approaches to attracting and absorbing FDI.
Companies that benefitted from FDI in China

**Maersk**

We estimate that total cumulative impact of the direct investment from Maersk in China (including the direct, indirect and induced impacts) is to the order of...

- **$21.5 billion** in output
- **$6.7 billion** in value added
- **Over 991,000** in employment

Maersk also contributed to China through...
- Connecting China to the world
- Assisting Chinese suppliers
- Improving efficiency in ports & logistics
- Improving environmental performance
- Corporate social responsibility programs

**Proctor & Gamble**

In 2014 alone, the impact from the Proctor & Gamble system of retailers and distributors in China can be estimated to have reached on the order of...

- **$11.3 billion** in value added
- **Over 612,000** in employment

P&G also contributed to China through...
- Creating product categories in China
- Developing products & segments for China
- Building supply chains & distribution channels
- Bringing green standards to China
- Building marketing capabilities
- Setting up global research
- Developing human resources
- Corporate social responsibility programs

The China example helps companies “make the case” for the contributions they make to host economies by better quantifying the benefits their investments bring using information beyond simple investment and employment statistics.
In addition to its impact on GDP and employment, foreign investment in China provides a number of benefits that are visible but difficult to quantify.

“Developing China: The Remarkable Impact of Foreign Direct Investment” offers a balanced and rigorous view of the full impact of FDI — using China as an example to illuminate the mutually beneficial partnership between investing companies and host economies — and more importantly to approach FDI globally.

The book is based on a project commissioned by the Hinrich Foundation and conducted by Enright Scott & Associates.

Join us in promoting sustainable global trade

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