

Fact Sheet

Developing China: The Remarkable Impact of Foreign Direct Investment

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The project

- Comprehensive 16-month project on the impact of inward foreign direct investment (IFDI) and foreign-invested enterprises (FIEs) on China's economy.
- Commissioned by Hinrich Foundation and undertaken by Enright, Scott & Associates.

FDI inflows

IFDI inflows into China have averaged in excess of USD 120 billion per year in recent years and are expected to be USD 125 billion for 2016.

Economic impact on China

The economic impact of the IFDI, the operations of FIEs, and the ripple effects through their supply chains and the spending of employees averaged 33% of China's GDP and 27% of China's employment from 2009 to 2013 (the most recent year for which the estimates could be made).

Additional impacts of IFDI / FIEs

- Modernizing industries and companies
- Developing suppliers and distributors
- Bringing R&D and tech development
- R&D local linkages and spinoffs
- R&D on issues of public interest
- Improving business practices/standards
- Improving the financial system
- Access to international finance
- Modernizing management training/education
- Bringing regional and global management to China
- Promoting legal/institutional reform
- Improving the environment and sustainability in China
- Contributing through CSR
- Policy advice

Impact on individual cities

- Shanghai** FIEs account directly for 2/3 of trade and industrial output and 1/3 of employment and tax revenue (without including further ripple effects). FIEs account for nearly 90% of Shanghai's high-tech output. Development initiatives like the Shanghai Free Trade Area will require international investment.
- Shenzhen** FIEs plus their ripple effects account for well over 1/2 of GDP and employment. FIE net exports alone account for around 1/5 of GDP. Development initiatives will require international investment.
- Chongqing** FIEs took the computer industry from zero to making 1/3 of the world's laptop PCs in 6 years. Development initiatives will require international investment.

Impact of individual companies

- P&G** Estimated economic impact including ripple effects: USD 11 billion in GDP impact and 612,000 in employment in 2014 alone. Created product categories in China. Built suppliers/distributors. Brought green standards. Set up global R&D. Developed local human resources. Initiated extensive CSR programs.
- Maersk** Cumulative impact of activities in China including ripple effects: USD 21.5 billion in output, USD 6.7 billion in GDP contribution and 991,000 job-years (one job per one year) in employment.

For more information

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