Foreign Direct Investment in China: Policy, Trend and Impact

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I. Introduction

An important part of the economic reform process in China has been the promotion of foreign direct investment (FDI) inflow. After more than twenty years of economic reform, China has become one of the most important destinations for cross-border direct investment.

In this paper, we will trace the development of China’s economic policy regarding FDI and the resulting changes in FDI inflow. We will also discuss the impact of FDI inflow on China’s economic development. Finally, we will project the future trend of FDI inflow in China particularly after China’s formal accession of the World Trade Organization in December 2001.

As a result of the active government promotion through various policy measures, FDI in China has grown rapidly since the 1978, especially in the 1990s. From early 1980s to late 1990s, contracted FDI inflow to China has grown from about US$ 1.5 billion a year to more than US$ 40 billion a year in 1999. During the same period, China’s actual use of FDI grows from about US$ 0.5 billion to more than US$ 40 billion a year.

China has been the world largest FDI recipient among developing countries since early 1990s. In recent years, FDI to China accounts for 1/4 to 1/3 of total FDI inflow to developing countries. Foreign investment has become an important source for China’s investment in fixed assets. Its share in total annual investment in fixed assets grew from 3.8% in 1981 to its peak level of 12% in 1996. After the Asian financial crisis in 1997, FDI inflow fell and its contribution to fixed assets investment has also decreased to about 9% and 7% in 1998 and 1999, respectively.

Many believe that foreign capital in China has played a largely positive role in China’s economic development during the reform. They argue that FDI can generate more benefits than just help solve the capital shortage problem in a developing country like China. FDI may provide better access to technologies for the local economy. Moreover, FDI can also lead to indirect productivity gains through spillovers. For instance, multinational firms may increase the degree of competition in host-country markets which will force existing inefficient firms to invest more in physical or human capital. MNCs may also provide training of labor and management which may make them become available to the economy in general. Another possible channel for spillovers is the training of local suppliers of intermediate products to meet the higher standards of production and managerial standard.

On the other hand, there are also concerns that FDI may bring detrimental effect to the Chinese economy. Some claim that foreign capital inflows can have a negative impact on China’s development by substituting for domestic savings. Some others argue that FDI tends to exacerbate developing countries’ balance-of-payment deficits as a result of rising debt repayment obligations.

The paper is organized as the following. In the nest section, we will discuss the development in China’s policies toward FDI. Section III examines FDI inflow to China since the late 1970s. Section IV attempts to assess the contribution of FDI to China’s economic development after 1978, when its “Open Door” policy was introduced. Section V highlights the impact of the WTO entry on China’s FDI inflow.
and subsequently on China’s economic development. Section VI provides some concluding remarks.

II. FDI Policies in China

One of the key elements of China’s economic reform process has been the encouragement of foreign direct investment. Since late 1970s, China has gradually opened its economy for foreign businesses and has attracted large amount of direct foreign investment. At the same time, China’s policies toward FDI have also experienced various changes on their policy priorities.

In the late 1970s and early 1980s, government policies are characterized by setting new regulations to permit joint ventures using foreign capital and setting up Special Economic Zones (SEZs) and ‘Open Cities’. At the second session of the Fifth National People’s Congress in July 1979, The Law of the People’s Republic of China on Joint-Ventures using Chinese and Foreign Investment was adopted, granting foreign investment a legal status in China. The State Council also awarded rights of autonomy in foreign trade to Guangdong and Fujian Provinces and, in 1980, set up four Special Economic Zones (SEZs) in Shenzhen, Zuhuai, Shantou, and Xiamen. In December 1982, the decision to open up China to the world economy was formally included in the 1982 state constitution adopted by the Sixth National People’s Congress. Late in 1983, Regulations for the Implementation of the Law of the People’s Republic of China on Joint Ventures using Chinese and Foreign Investment was formulated in 1983 to further liberalize the domestic market and to clarify the business environment for foreign joint ventures.

Since 1984, China has also moved to further open up the country to FDI. In 1984, the concept of SEZs was extended to another fourteen coastal cities and Hainan Island (became a province and the fifth, the largest SEZ in 1988). Twelve of the fourteen cities were designated Technology Promotion Zones in 1985 to expedite the transfer of technology. In 1985, “development triangles” – the Yangtze River delta, the Pearl River delta in Guangdong, and the Min Nan region in Fujian, Liaodong and Shandong Peninsulas, and the Bohai Sea Coastal Region – were also opened to foreign investors. In 1990, the Pudong District of Shanghai was designated as a new development zone to lead development along Yangtze River.

In 1986, more favorable regulations and provisions are used to encourage FDI inflow, especially export-oriented joint ventures and joint ventures using advanced technologies. Wholly foreign-owned enterprises were also allowed. On October 11, 1986, the State Council promulgated the Provisions of the State Council of the People’s Republic of China for the Encouragement of Foreign Investment. These so-called ‘22 Article Provisions’ provided foreign joint ventures with preferential tax treatment, the freedom to import inputs such as materials and equipment, the right to retain and swap foreign exchange with each other, and simpler licensing procedures. Additional tax benefits were offered to export-oriented joint ventures and those employing advanced technology. The government also attempted to guarantee further the autonomy of joint ventures from external bureaucratic interference, to eliminate many ‘unfair’ local costs, and to provide alternative ways for joint ventures to balance foreign exchange. Privileged access was provided to supplies of water, electricity and transportation (paying the same price as state-owned enterprises) and to interest-free RMB loans.
The importance of the 1986 Provisions is that it provided incentives for FDI rather than merely permitting it, and this more proactive approach was furthered by the adoption on April 12, 1986 of the Law of the People's Republic of China on Enterprises Operated Exclusively with Foreign Capital at the fourth Session of the Sixth National People’s Congress. This explicitly linked (Article 3) the establishment of wholly foreign-owned enterprises to the development of China’s national economy, and required such enterprises either to be export-oriented or to use advanced technology and equipment. The more liberal approach was furthered by the April 1990 Amendments to the 1979 Joint Venture Law. These amendments permitted non-Chinese to act as Chairman of the Board of Directors, allowed extensions to the terms of operation of joint ventures, and removed the upper limit to the proportion of the registered capital (minimum not less than 25%) contributed by the foreign partner.

China’s proactive policies toward FDI resulted in increasing inflow of foreign capital in the late 1980s and, in particular, early 1990s. From mid 1990s, while maintaining favorable environment for foreign businesses, government policies began to focus more on linking FDI promotion to domestic industrial objectives. In April 1994, the State Council outlines new proposals to attract FDI into the agriculture, hydropower, communications, energy and raw material sectors through favorable tax policies and selective financial support. On November 3, 1994, the State Administration for Industry and Commerce and the Ministry for Foreign trade and economic Co-operation issued a Circular on Issues relating to Strengthening the Examination and Approval of Foreign-funded Enterprises. This tightened the procedures regarding the approval of contracts and the registration of foreign enterprises, and enhanced the penalties if agreements were not fulfilled.

The Provisional Guidelines for Foreign Investment Projects took effect on June 27, 1995. Priority was given to FDI in the agriculture, energy, transportation, telecommunications, basic raw materials, and high-technology industries, and FDI projects which could take advantage of the rich natural resources and relatively low labor costs in the central and northwest regions were to be vigorously encouraged. The Guidelines stipulated that the Guiding Catalogue of Foreign Investment Projects was to provide the basis for the examination and approval of FDI projects, which were to be classified to one of four categories: encouraged, Restricted, Prohibited, and Permitted.

Included in the ‘encouraged’ projects were those in infrastructure or underdeveloped agriculture; those with new/advanced technology which could upgrade product function, save energy and raw materials, improve economic efficiency, or manufacture under-supplied new equipment/materials to satisfy market demand; those which were export-oriented; those which involved new technology/equipment which made use of natural/regenerative resources and prevented/controlled pollution and so on. Some projects were classified as ‘restricted’ such as those whose technologies had been developed or transferred, and those where production exceeded domestic demand; and those under experiment or monopolized by the State, and those engaged in the exploration of rare and valuable mineral resources. The third category is the so-called ‘prohibited’ projects. They are projects that jeopardized national security or harmed the public interest; damaged the environment, natural resources or human health; those which used sizeable amounts of arable land or were detrimental to the protection and development of land resources, or endangered the security and functioning of military facilities; those which applied...
technologies unique to China; and so on. Projects that are not in any of the above
groups are classified as 'permitted'.

Generally speaking, China’s policies toward FDI have experienced roughly
three stages: gradual and limited opening, active promoting through preferential
treatment, and promoting FDI in accordance with domestic industrial objectives.
These changes in policy priorities inevitably affected the pattern of FDI inflow in
China. In the next section, we will discuss in more detail the FDI inflow in China
from various aspects.

III. FDI inflow in China

Since the economic reform and opening up to the outside, China has attracted
increasingly large amount of foreign capital. There are mainly three forms of foreign
capital inflow: foreign loans, direct foreign investment and other foreign investment.
Between 1979 and 2000, China’s actual usage of foreign capital amount to more than
US 500 billion dollars (Table1), more than two third of foreign capital are in the form
of direct investment.

Table 1 also indicates that the importance of FDI as a source of foreign capital
inflow has increased dramatically since the late 1970s and early 1980s. Between 1979
and 1983, FDI inflow account for only 12% of total actual foreign capital utilization.
Many factors contributed to China’s relative slow progress in attracting FDI during
this period. For example, the government required that all foreign ventures maintain
its foreign exchange balance and made it difficult for foreign investors to repatriate
any profits not earned in hard currency. As RMB is not convertible, foreign-invested
companies had to export to cover their foreign exchange expenses. Uncertainty in
property rights, fear of policy reversal, as well as lengthy process of bureaucratic
approval may all contribute to discourage foreign businesses.

The growth in FDI began to pick after from the mid-1980s, when a variety of
measures were adopted to improve the investment climate in China. Between mid
1980s and early 1990s, FDI increased steady and accounted for about one third of
total foreign capital inflow. FDI inflow accelerated since 1992 and became the most
important source of foreign capital inflow, after the famous “Tour to the South” by
China’s then paramount leader Deng Xiaoping. China has also become the second
largest FDI recipient country in the world and the largest recipient among developing
countries. Annual FDI usage grew from US$4 billion a year in 1991 to more than US$ 45
billion of its peak (in 1997 and 1998). In 1999 and 2000, FDI inflow decreased
from its highest level, but still amount to more than US$ 40 billion a year.

While FDI have increased dramatically in both total amount and in its share in
total foreign capital usage, we notice that the contractual and actual FDI amount have
demonstrated somewhat different pattern in development, especially in the early
1990s. Table 2 shows that contractual FDI increased sharply in early 1990s. In 1993,
both the number of projects and the total contractual amount reached their highest

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1 Foreign loans include loans from foreign government and from international financial organizations,
buyers’ credits, commercial loans from foreign banks, and bonds issued to foreign countries. Direct
foreign investment are in five major forms: equity joint ventures, contractual joint ventures, wholly
foreign-owned enterprises, share-holding companies, and joint explorations. Other foreign investment
includes shares issued to foreigners, international leasing, compensation trade and processing assembly.
level. The actual amount of FDI, however, has grown more slowly and did not begin to decrease until 1999.

From 1979 to 2000, the rate of FDI utilization (share of actual FDI in total contractual FDI) has increased steadily till 1999, with the exception of early 1990s (Figure 1). As we mentioned earlier, there was an obvious departure between contractual and actual FDI inflow during that time. Before 1985, between one quarter and a half of contracted FDI were actually realized. Part of the reason is that foreign investors are uncertain about the policy environment during the early years of reform. The percentage of utilization increased during the second half of 1980s due to improved business environment but began to fall after 1989. The political turbulence in 1989 contributed to the decline in FDI utilization percentage. In addition, there were also fund shortage problems due to the government’s tight credit squeeze to control the overheated economy. Finally, many of the announced projects might also be actually fraudulent. Phony joint ventures were set up to take advantage of favorable tax incentives. So in the early 1990s, while contractual FDI surged to a record high, actual FDI utilization had only increased slowly. The percentage of FDI utilization fell to its lowest level of less than 20% in 1992 but then increased steadily throughout the 1990s. ²

While the rate of FDI utilization experienced sharp drops in the mid 1980s and early 1990s, the average size of FDI projects has also gone through drastic changes over the years (Table 2, third column, Figure 2). In the late 1970s and early 1980s, the average sizes of FDI projects are quite large compared with that of the later years. Between 1979 and 1982, the average size of FDI projects, calculated using the contractual amount) is about US$ 6.5 million. In 1983, the average size was US$ 3.7 million. The main reason is that during this period of time, a substantial portion of the FDI is in the form of joint exploration where large projects were set up between foreign investors and Chinese government. The average size of FDI project began to fall in 1984 and continued for most of the 1980s and reached its lowest level of US$ 0.9 million in 1988 and maintain near that level through early 1990s. During this period, large number of small firms, especially those from Hong Kong and Taiwan, established labor-intensive manufacturing operations in China, encouraged by the government’s promotion policies.

The average size of FDI project began to increase since 1992. Between 1992 and 1995, the average contract amount of FDI projects more than doubled, from US$ 1.2 million to US$ 2.5 million. After 1995, the average size of a FDI projects ranges between U.S.$ 2.4 and 3 million. These latest figures reflect China’s new emphasis on capital intensive, high-tech and infrastructure investments. They also reflect the movement into China of large Western multinational enterprises (MNEs), particularly in infrastructure investment and other key industrial projects. Large market potentials, favorable government policies and low labor cost attracted many large multinational in such industries as telecommunications, automobile and petrochemical.

One of China’s strategies in promoting capital inflow is to attract investment from overseas Chinese³. This strategy underlies the government policy choice of opening up special economic zones (SEZs) in the southeast part of China at the

² Obviously, there is also a practical reason for the difference between contractual and actual FDI. It would take time to put an investment project into real investment.
³ Chinese living outside mainland China.
beginning of the reform. In late 1970s, the government established four SEZs in the two southeast coastal provinces, Guangdong and Fujian. In Guangdong province, three SEZs are established in Shenzhen, Zhuhai and Shantou. Shenzhen was a small town sharing a border with the then British colony Hong Kong. Zhuhai is next to Macao, another growing economy in the region. Both are populated largely with Cantonese speaking Chinese, who are either descendents of those emigrated from Guangdong province or have themselves migrated from Guangdong. Shantou is another coastal town lies near the border between Guangdong and Fujian. These SEZs are chosen with a clear intention to attract investment from oversea Chinese in not only Hong Kong and Macao, but in other Southeast Asian economies as well. There is also a fourth SEZs, Xiamen, Xianmen in Fujian province. It is a relatively industrialized city, located near Taiwan, only divided by the narrow Taiwan Strait.

Partly a result of the government conscious policy choice, investment from overseas Chinese has been the major source of China’s FDI inflow, especially during the late 1980s and the early 1990s. In particular, Hong Kong has so far been the most important source of China’s FDI inflow (Table 3). Investment from Taiwan, Singapore, and Macau, the other Chinese economies, has also been very important. Other external factors have also contributed to the increasing cross-border investment activities in these economies, such as domestic currency appreciation. Between 1983 and 2000, actual FDI inflow from Hong Kong amounts to more than US$ 170 billion, accounting for about half of FDI utilization during the period in China (Figure 3). United States, Japan and Taiwan are the second, third and fourth largest investors in China, each invested about US$ 30 billion, 28 billion and 25 billion, respectively. FDI from the above three economies together makes up about a quarter of all FDI inflow in China. The other two mainly Chinese economies in the region, Singapore and Macao ranked number 5 and number 11, respectively. Korea, one of the four Asian Newly Industrialized Economies, is the seventh largest investor in China.

While economics in Southeast Asia have maintained their role as important sources of China’s FDI, there is a trend that investment from other part of the world, especially from Western Europe and North America have gained strength, especially in the 1990s. Table 3 shows the changes in investment of the major source economies for China’s FDI inflow. Hong Kong is still the most important source for FDI inflow in China. However, the share of Hong Kong investment in total FDI inflow from Hong Kong has decreased from 68% in 1992 to about 48% in 2000. In recent years, even the total amount of FDI has decreased. Similar pattern exists for investment from Taiwan, and to some extent, Singapore, and Malaysia.

On the other hand, investment from western industrial countries, especially those from North America and Western Europe, has increased steadily throughout the 1990s. In 1992, the United States is the fourth largest investor in China, accounting for about 4.6% of total FDI inflow. In 2000, the United States became the second largest foreign investing country in China, contributing 10.8% of the total FDI inflow. Similarly, the share of investment from United Kingdom, Germany, France, the Netherlands, and Canada together grew from 2.3% in 1992 to more than 10% in 2000. Industrial countries, as a whole, contribute to more than 30% of all FDI inflow in China in 2000, more than double the figure for 1992.

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4 Investment from Taiwan are not available before 1992.
5 Data for the years 1983 to 1991 are available only for FDI plus other investment.
While the relative importance of different source countries for FDI inflow changes over the years, the composition of different types of FDI projects has also experienced changes throughout the years. There are five different forms of FDI in China: equity joint ventures (EJVs), cooperative operation enterprises or contractual joint ventures (CJVs), wholly foreign-owned enterprises (WFOs), foreign sharing-holding enterprises (SH) and joint exploration (JE). Joint exploration was important mostly during the early stages of reform. Foreign sharing-holding enterprises are a relatively new phenomenon (Table 4). Our discussion will therefore focus more on the other three forms of FDI projects.

A contractual joint venture is a partnership between a foreign investor and a domestic enterprise. An example would be that the foreign partner provides technology (and sometimes a share of capital) and the Chinese side contributes the land, labor, physical facilities, materials, etc. was an important form of FDI projects during the early years of reform. This form of FDI is favored by foreign investors during the early years of China’s opening up as it lowers the risk for foreign participants. Between 1979 and 1982, CJVs account for 46% of all FDI inflow. The importance of CJVs in total FDI has been decreasing continuously throughout the 1980s, reaching its lowest level of 18% in 1992, and stayed at about 20% in the 1990s.

Equity joint ventures involve joint investment by Chinese and foreign partners in limited liability corporations with sharing of profits/loses and risks. As the share of CJVs demonstrated continuous drop through the 1980s, FDI in the form of equity joint ventures became increasingly important. Between 1979 and 1982, EJVs made up about 8.4% of actual FDI inflow. Between 1987 and 1989, more than 60% of all FDI are in the form of equity joint ventures. The amount of FDI in EJVs continues to grow until 1997 when the Asian financial crisis broke out. From early to mid-1990s, government had shifted its policy focus from encouraging FDI in general to aiming at encouraging more high-tech and more capital-intensive FDI projects. Wholly foreign owned enterprises began to growth quickly. Since 1990, the relative importance of EJVs share in total FDI inflow has decreased continuously.

There were relatively few FDI projects in the form of wholly foreign-owned enterprises before the end of 1980s. Between 1979 and 1988, FDI in wholly foreign-owned enterprises account for about 3% of actual FDI inflow. Since late 1980s, WFOs grew steadily in both the total investment amount and in the share of total FDI, from US$ 25 million and 1% of total FDI in 1987 to nearly US$ 19 billion and 47% of total FDI inflow in 2000. This coincides with the government’s effort to promote high-tech, capital intensive FDI projects. Large market potentials and favorable government policies attracts large multinational corporations that set up subsidiaries in an attempt to gain market shares in China.

One important feature of China’s FDI inflow is that they are mostly concentrated in the eastern coastal regions. Table 5 shows that between 1983 and 2000, about 88% of all FDI are received by coastal regions. On the other hand, 20 inland provinces, whose population makes up almost two third of national total, account for about 12% of FDI inflow.

Among all regions, Guangdong Province has received the most FDI. There are mainly two reasons where this is the case. First of all, as discussed earlier, Hong Kong

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6 FDI for the years 1983 to 1986 by provinces are only available together with other foreign investment. Data for Hainan province are included in FDI in Guangdong.
is the most important source for FDI inflow in China. The close proximity between Hong Kong and Guangdong made the region the first and foremost destination for FDI from Hong Kong. Second, Guangdong is among the first open to foreign investment. Three of the four SEZs are in Guangdong. However, as the country become more open and more investment come from other parts of the world, the importance of Guangdong as a primary investment location decreased. The share of foreign investment in Guangdong in total FDI inflow has decreased continuously and significantly from the early years. In late 1970s and early 1980s, investment in Guangdong took up around 70% of total FDI inflow. That figure has dropped down to between 40% and 50% in mid- and late 1980s and further down to about 30% in the 1990s. The other southern coastal province, Fujian, is also an important location for FDI, especially for those from Taiwan, especially in the 1990s when Taiwan’s policies toward outgoing investment to mainland China became less restrictive. Between 1983 and 2000, investment in Fujian made up about 10% of all FDI inflow.

After the government opened 14 coastal cities in 1984, FDI began move north to other part of the east cost. The establishment of Pudong District of Shanghai as a new development zone also contributed to the shift in FDI destination. FDI to Shanghai as well as to Shanghai’s two neighbor provinces, Jiangsu and Zhejiang, have surged from 1992 and 1993. In 1991, FDI in Shanghai, Jiangsu and Zhejiang account for 12% of national total. That figure jumped up to 26% in 1993 and maintained at roughly the same level. Two northern coastal provinces, Liaoning and Shandong, have also become important FDI locations since early 1990s, account for roughly 10% of total FDI.

While FDI inflow in China has grown steadily throughout the 1980s and the 1990s, we have also seen some changes in the sectoral composition of FDI in China. Tables 6a and 6b show the industrial composition of foreign-invested firms for the years between 1991 and 1995 and the years between 1996 and 2000, respectively. Foreign- invested industrial enterprises are the largest categories among all, in both the number of establishment and the amount of total investment. During the first half of the 1990s, the shares of foreign-invested industrial firms in terms of the number of establishment and in total investment have slowly been reduced. During the second half of the 1990s, the share of foreign investment in industrial enterprises has stabilized. In 1991, foreign- invested industrial establishment accounted for 84% of all foreign invested enterprises (FIEs) and 72% of all foreign investment. In 1995, the figures are 73% and 58%, respectively. That level remained stable till 2000.

The second most important sector in terms of FIEs is the real estate related sector. Between 1991 and 1995, the share of “Real estate, public residential and consultancy services” increased from 5.5% to 12.8% in number of establishment and from 18.8% to 29.4% in terms of total investment. Between 1996 and 2000, the share of “real estate management” ranged between 5.9% and 6.3% in number of firms. Its share in total amount of investment had, however, decreased slightly from 21% to about 18%.

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7 There were some changes in classification of industries between 1995 and 1996. Rather than try to converge the two, we simply report the industrial composition separately for the two periods before 1995 and after 1996.
8 “Real estate, public residential and consultancy services” may include activities not included in “real estate management”. The absolute numbers are, therefore, not comparable.
We will now look more closely at the industrial composition of FIEs in recent years. Table 7 shows FIEs’ industrial structure for the years 1995 and 2000. Clearly foreign investment firms concentrate heavily in manufacturing industrials. In both 1995 and 2000, around 94% of all industrial FIEs are in manufacturing. They produce more than 94% of gross value of FIEs and provide more than 90% of FIE value-added. In 1995, three textile and garment related industries have the most number of FIEs, nearly 13 thousand foreign invested firms are in Textile, Garments and other fiber products, and leather, furs, down and related products. They account for more than a quarter of all FIEs, produce nearly one fifth of all FIE output, and provide about 18% of all value-added from FIEs. In 2000, the shares of these industries in terms of number of firms, gross output value and value-added are slightly lower, 23%, 13% and 12%, respectively.9

Machinery is another industry that hosts a large number of foreign invested firms, especially electronic and telecommunications. In 1995, FIEs in all six machinery sectors10 amount to more than 10 thousand firms, account for about 21% of all industrial FIEs. They produce more than one third of gross output value and value-added of FIE total. The figures for 1999, where only firms with annual sales over 500 million yuan are included, are higher. FIEs in machinery sectors account for 24%, 41% and 39% of all FIEs in terms of number of firms, in terms of gross output value, and in terms of valued-added, respectively.

To sum up: since the late 1970s, Chinese government has pursued policies aiming at opening up the economy and attracting foreign participation. FDI inflows in China have grown continuously, and rapidly at time, from its very low level in the early 1980 to over US$ 40 billion annually in recent years. Various preferential treatment offered by the Chinese government in different level are no doubt favored by foreign investors. Other factors also contributed to the surge of FDI inflow in China, such as low labor cost, growing market potential, and so on. China has become the world second largest FDI recipient countries and the largest among developing countries in the late 1990s.

Investment from newly industrialized economies in the region has played a dominant role in FDI inflow, especially in the early years of China’s opening. These investments are mostly concentrated in the southeast provinces of Guangdong and Fujian. Investment from western industrial country is becoming more and more important, as China is working to move its economy up the technology ladder. At the same time, more investment move up north along the coast to Shanghai and its surrounding provinces, to Liaodong and Shandong Peninsulas, and to the metropolitan areas of Beijing and Tianjing. Recently, Chinese government is working to attract more FDI to the inland provinces, especially the western provinces, by offering preferential treatment. In the 1990s, the share of investment in inland regions seems to have slowly increased from its low level of late 1980s and the early 1990s. The level is still rather small, less than 14% in 1999 and 2000.

In the early years after China’s opening, FDI is mostly in the form of contractual joint ventures, where the risks of foreign participants are lower. As the

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9 As the statistics for the two years are different in who to include, the numbers are not comparable.
10 Machinery includes ordinary machinery manufacturing, special purpose equipment manufacturing, transportation equipment manufacturing, Electric equipment and machinery, Electronic and telecommunications equipment, and instruments, meters, cultural and office machinery.
reform deepened and the business environment improved significantly, equity joint ventures increased in their importance. In recent years, wholly foreign owned enterprises become increasingly important. Foreign-invested firms have become a very important part of the Chinese economy. In the next section, we will discuss the role of FIEs in China’s economic growth.

IV. The impact of FDI on China

Gradual reforms of over two decades have transformed China’s economy from a Soviet style planning system and international isolation to a market-oriented economy with increasing inter-dependence with the world economy. China has also achieved economic growth at an impressive speed. We will now try to assess the contributions of FDI in China’s economic transformation and growth.

FDI and gross national product (GDP)

From 1978 to 2000, China’s GDP grew by 9.5% annually on average from RMB 36 billion to RMB 882 billion (Table 8). GDP per capita also increase dramatically at an annual rate of 8.3% from RMB 379 to RMB 7,078. While some might question the accurateness of China’s statistics, few would doubt that China has indeed achieved impressive growth since late 1970s.

FDI is an important element in China’s reform and economic growth. As shown in Table 1, FDI increase from a very level in the late 1970s to more than US$ 40 billion a year the in the late 1990s. FDI and FIEs formed an important element in China’s economic growth in both the national level as well as regional level. Table 9 presents data on China’s total investment and investment by FIEs as well as GDP growth in different provinces and cities. It shows that, between 1992 and 2000, regions where investment by FIEs is relatively more important tend to have higher GDP growth. There is no significant correlation between the ratio of a region’s total investment to its GDP and the region’s GDP growth.

For coastal regions, investment by FIEs account for 14% of total investment and the average GDP growth between 1992 and 2000 is 12%. The region that demonstrated the highest GDP growth during the period is the three Southern coastal provinces with 20% investment coming from FIEs and 14% annual GDP growth. For inland regions on the other hand, the two figures are only 4% and 10%, respectively. In particular, the 9 western inland provinces have relatively the lowest rate in both FIEs’ investment (3%) and in GDP growth (9%).

There is a positive correlation between investment by FIEs and GDP growth at both national level and provincial level. We might be inclined to say that FDI inflow benefits growth by inducing higher GDP growth. It is, however, possible that increasing FDI is a response to rising economic opportunities due to higher growth. Empirically, it is not easy to determine the causal relationship between FDI inflow and economic growth\textsuperscript{11}. What we can safely say is that increasing FDI inflow has been an important part of China’s growth.

After more than two decades of China’s economic reform and open-door policy, enterprises funded by external investment have become an important and the

\textsuperscript{11} There have been various efforts to empirically demonstrate the causal relations between FDI inflow and economic growth. See, for example, Chen, Chang and Zhang (1995), Sun and Parikh (2001), and Zhang (1999).
most dynamic part of the economy. This is particularly true for the eastern part of the country. FDI from Hong Kong, Taiwan and other neighboring economies make up the bulk of the investment. These investments concentrated primarily in the two southeastern provinces of Guangdong and Fujian. Since 1992, FDI have increased dramatically. FDI from industrial countries, in particular, have increased significantly in both the total amount and the relative importance in total FDI. These investment, compare to earlier FDI from Hong Kong and Taiwan, are less concentrated in the southeastern region. These investments are also more geared towards the domestic Chinese market.

FDI and fixed-asset investment

Foreign investment may help the domestic economy in various ways. One direct benefit is that foreign investment forms an important part of the capital accumulation. After more than two decades of China’s economic reform and open-door policy, enterprises funded by external investment have become an important and the most dynamic part of the economy. Table 10 shows that foreign investment has been an important part of China’s total investment in fixed assets. In the early and mid-1980s, foreign investment made up less than 5% of total fixed assets investment. In the late 1980s and early 1990s, the figure increased slightly and fluctuating between 5% and 7%. The share of foreign investment in total fixed-assets investment reached its highest level of over 10% in mid- and late 1990s. After 1997 when the Asian financial crisis broke, investment on fixed assets from foreign sources decreased in relative terms. In 1999 and 2000, foreign investment accounted for 7% and 5% of China’s total investment in fixed assets.

FDI and foreign trade

One direct outcome of China’s economic reform is the expansion of China’s trade with the rest of the world. External trade has become a very important element of China’s economy. During the past 20 years, China’s total trade increased from US$ 38 billion in 1980 to more than US$ 474 billion in 2000 (Table 11). In 1980, China’s export and import account for 0.9% and 1% of world total in 1980. The importance of China’s as a large trading nations had been growing steadily. In 2000, the figures are 3.9% and 3.5% of world trade, respectively. China is the world number 7 largest exporter in 2000, up from number 26 in 1980. At the same time, trade also becomes increasingly important as a percentage of China’s GDP. In 1980, the ratios of export and import in GDP are 6.0% and 6.6% respectively. In 2000, they increased to 23.1% and 20.8%.

China’s expansion in trade is accompanied by the increase of FDI and growing trade by foreign invested enterprises (Figure 4). The data presented in Table 12 indicate that the contribution of foreign invested enterprises (FIEs) has been increasing rapidly since the early 1980s, especially in the 1990s. Between 1980 and 1985, trade by FIEs accounted for less than 0.6% of total export and 2.1% of total import. The shares increased to 7.3% and 12.8%, respectively, in the second half of 1980s. In the 1990s, trade by FIEs accelerated and their share in China’s total trade enlarged to 26% and 41% for the years between 1991 and 1995, and further to 44% and 53% for the years 1996 and 2000.

The rise in FIEs’ share in total trade reflects the growing contribution of FIEs in the increase of China’s trade. For example, between 1980 and 1985, annual export
rose by US$ 9.2 billion (from US$ 18.1 billion to US$ 27.4 billion). Only about 3% (or US$ 0.8 billion) of this rise came from export increase by FIEs. The contribution of FIEs in export expansion increased dramatically since mid-1980s. Increase in annual export by FIEs account for 22% of total export increase between 1985 and 1990, 45% between 1990 and 1995, and 72% between 1995 and 2000.

Two factors help explain the co-movement between China’s export and the relative importance of FIEs in export. As we discussed in the previous section, a large portion of FDI is originated from Hong Kong and. In the late 70s and early 80s, Hong Kong and Taiwan had become established as major exporters. At the same time, these economies also experienced rising domestic costs and appreciation pressure for their currencies. Exporters in Hong Kong and Taiwan were search for alternative production sites with lower labor costs and China’s Southeast region, with favorable policy environment as well as social and cultural proximity between these regions, became a preferred alternative site for export-orientated production.

The second factor is the government policy aimed at promoting export from FIEs (Naughton 1999). Unlike domestic firms, mainly state owned enterprises, FIEs have the freedom to import and export on their own account. In addition, FIEs enjoy a variety of tax exemptions and concessionary tax rates and are able to import raw material, components (until mid 1990s) production machinery duty-free, as long as they are engaged in export production. These policies had resulted into a large portion of FIEs specialized in “export processing”, in the forms of ‘processing materials’ and ‘processing import’. Import by FIEs account for a large portion of China’s import I both the total amount and in the increase. Between 1980 and 2000, import by FIEs account for almost 40% of China’s total import. Between 1985 and 1990, FIEs are responsible for more than 90% of the increase in annual import. That figure has decreased to 64% for the years between 1990 and 1995 and to 58% for the years between 1995 and 2000.

**FDI and the economic transformation**

After more than 20 years of economic reform, China’s economy has transformed from a centrally planned economy dominated by the state sector to a market-oriented economy consisted of firms with various ownership form. Table 13 shows the recent development in the composition of industrial establishment. In 1995, state owned enterprises accounted for about 12% of the total number of industrial firms and more than a third of total industrial output. In 1999, the shares dropped to 6% and 28%, respectively.\(^{12}\)

The increasing importance of FIEs has contributed significantly to this change in the ownership restructuring in China’s industry. Between 1995 and 1999, although the share of FIEs measured in the number of firms has not increased much, the share of FIEs’ industrial output rose from 12% to 16%.

While there is little doubt that FIEs have become an important part of China’s economy, some are not convinced that FIEs have contributed significantly to domestic economy. As shown earlier, FIEs account for 44% of China’s total export and 53% of total import. Some believe that many FIEs are involved primarily in export processing activities and add little to domestic sector.

\(^{12}\) If we believe that there are cases where non-SOE are actually considered as SOEs (having controlling SOE shares), the actual share of SOEs should be even lower in recent years.
Table 14 presents FIEs contribution to industrial value-added in recent years and shows that FIEs do contribute significantly to China’s industrial sector. In 1995, FIEs accounted for less than 15% of total industrial value-added in China. In 2000, the percentage rises to 24%.

Adding to total industrial output and value-added is not FIEs’ only ways to promote China’s economic transformation. Increasing the number of FIEs intensifies competition in the domestic market and forces domestic SOEs and non-SOEs to respond more quickly to market signals. More and more interaction between FIEs and local government official as well as local businesses also help facilitate the development and adoption of rules and the laws suitable for a market-oriented economy.

FDI and the transfer of advanced technologies

The possibility of getting access to modern technology is one of the most important reasons why countries wish to attract foreign investment. Direct technology transfers from multinational corporations (MNCs) to local subsidiaries allow host countries to have access to technologies that they cannot produce by themselves. In addition, FDI can also lead to indirect productivity gains for host country firms through the realization of external economies (technology spillovers). For example, MNCs may provide training of labor and management which may then become available to the economy in general. MNCs may also benefit domestic firms through training of local supplier of intermediate products to meet the higher standards of quality control, reliability, and speed of delivery required by the technology and method of operation of the foreign-owned companies.

Like in many other development countries, Chinese authorities encourage technology transfer through various forms of foreign investment in the economy. China’s FDI policies since the reform have been formulated to reflect those objectives. For example, some of the preferential treatment toward FIEs is contingent on the firms export performance or technology transfer. Decisions on technology transfer by MNCs are, however, affected by many other factors, such as the skill level of the local labor force and the degree of competition in the domestic market.

Some think that technology transfer from FDI in China is rather limited. One of the reasons is that FDI in China, especially during the early years of reform, originated primarily from Hong Kong and the other NIEs and is mostly concentrated in relatively unsophisticated projects. These projects result in, at best, the transfer of low and intermediate technologies. There is, however, little doubt that FDI in China did lead to the very important transfer of “soft” managerial and marketing technologies crucial for the development of a market economy.

In recent years, FDI in China increased significantly and, at the same time, more and more projects are in industries. Table 15 indicates that FIEs have become an important part in most manufacturing sectors, including those with high technology sophistication.

Initially, FIEs are concentrated more in the relatively low-tech, labor-intensive, and export-oriented industries such as garment industry. Table 15 shows that FIEs have still very strong presence in these industries. In 1995, about 30% of all the firms in Garment and other fiber products are FIEs. They produce 50% of the industry’s total output and value-added. In 2000, FIEs’ contribution to output and valued-added
decreased slightly. In textile, FIEs are not as important but still account for about 20% of the industry’s total in number of firms, in output, and in value-added.

Table 15 also indicates that FIEs have increased their share in industries with relatively high technology sophistication in recent years. For example, the share of FIEs increased significantly in machinery industries including ordinary machinery manufacturing, electric equipment and machinery, electronic and telecommunication equipment, instruments, and meters, cultural and office machinery. In 2000, nearly half of the firms in electronic and telecommunication equipment are FIEs, an 11-percentage point increase from 1995. These FIEs produce 72% of the industry’s total output, and generate 65% of the industry’s total value-added. In 1995, their shares in output and value-added were 60% and 59%, respectively.

As a result, China has become an important producer and exporter in most manufacturing products. For example, in 1999, China was the number one producer in crude steel, fertilizer, and television sets and number 2 in chemical fiber. Table 16 shows China’s importance in world manufacturing export. In 1980, manufacturing export from China accounted for only 0.8% of the world total. In 2000, China exports 4.7% of the world total in manufacturing export and ranked number 6 among countries. In 2000, China is among the top 15 exporters in all sub-categories of manufactures except automotive products.

China is the 13th largest exporter of chemical products and accounts for 2.1% of the world total, up from 0.8% in 1980 and 1.3% in 1990. The growing importance of China as a leading exporter is even more astonishing in machinery and transport equipment, and in office machines and telecom equipment. In 1980, the shares of China’s exported in these two industries were 0.2% and almost zero. In 2000, China is the 14th largest exporter of machinery and transport equipment and accounts for 3.2% of the world total. In office machinery and telecom equipment, China ranks number 11 and exports 4.6% of the world total.

The above discussion suggests that FDI in China has played an important role in helping China move up the technology ladder and to industrial restructuring. The initial pattern of export promotion in low-tech, labor-intensive industries has been augmented with more and more FDI in more advanced industries with higher technology requirement.

V. WTO accession and the future trend of FDI in China

In December 2001, China finally became a formal member of the World Trade Organization (WTO) after nearly 14 years of talks and negotiation. With the accession, China promised to abide the WTO’s basic principles of non-discrimination, pro-trade, pro-competition and so on. In return, China will have the privileges enjoyed by WTO members. For example, China will also be able to enjoy the privileges provided to WTO members. These will have significant implications for future FDI inflow in China.

On one hand, WTO accession provides incentives for more export-oriented FDI. First of all, the world export market for China, as a WTO member, will be larger and more predictable. Quota and restrictive measures against China’s export will be either eliminated or reduced. In addition, China will be able to resolve trade disputes with other member states under WTO’s trade dispute settlement mechanism. As a result, FDI in industries where China has comparative advantage will grow.
On the other hand, opening up of domestic market will attract FDI in industries where market potentials are great. In particular, industries that were originally dominated by relatively inefficient state-owned enterprises, such as telecommunication, banking, and insurance, will see increasing interest from foreign investors, especially from large multinational.

More importantly, WTO membership will serve to encourage China to implement further economic reform as well as various legal and institutional restructuring to fulfill its WTO obligations. As a result, there will be important improvement in China’s business environment for foreign as well as domestic companies.

In agreeing to the WTO, China commits to reduce its industrial tariffs to an average rate of 9.4 percent by 2005. In information technology, tariffs on products including computers, semiconductors and all internet-related equipment will drop to zero by the end of 2005. For agricultural products, tariffs will drop from an average level of 31.5 percent to 14.5 percent.

In the industrial sector, foreign firms will for the first time be granted direct trading rights—the right to import and export directly without going through a Chinese state-owned trading firm as the middleman. The lowering of tariffs will encourage more U.S. exports and may reduce the incentive for some foreign firms to locate in China to avoid paying the high tariffs. However, Chinese accession to the WTO will also boost investors’ confidence in the Chinese economy and the Chinese market and thus will induce more direct investment in China (Fung, Lau and Lee 2002).

Foreign firms will also be granted full rights to engage in distribution activities in China, including wholesale, retail and after-sale service, repair, maintenance and transport. They will also be allowed to control their own distribution networks in China. These changes open up potential investment opportunities. China is also committed to opening its telecommunication sector to foreign investment. With the WTO agreement, China will allow foreign participation in all telecommunication services and will allow 50-percent foreign ownership for value-added paging services in two years. For mobile services, China will also allow 49-percent foreign ownership in 5 years.

With the WTO agreement, China will allow 50 percent foreign ownership of life insurance companies. Foreign life insurance companies will be permitted to choose their own domestic joint-venture partners. For non-life insurance, China will permit 51-percent foreign ownership. In banking, China will allow foreign banks to conduct local currency business with Chinese enterprises. China will also allow minority foreign-owned joint ventures to engage in fund management under the same conditions as domestic Chinese firms.

China agrees to implement WTO agreement on trade-related investment measures. For example, trade and foreign exchange balancing requirements and local content requirements that in the past have been imposed on some foreign direct investors will no longer be allowed. Laws related to the transfer of technology will also have to be in accordance with the WTO agreement on the protection of the intellectual property rights. Through its commitment to open up many new sectors of potential investment, it is expected that foreign firms will continue to invest in China.
VI Conclusion

China has made great strides in its reforms to open up its market for foreign direct investment. Among developing countries, China is now the largest recipient of foreign capital. Foreign direct investment is still concentrated in the southeast and the coastal areas, even though we see a slow process of diffusion. Foreign-invested firms have played an increasingly important role in Chinese economic reform. It is also a large part of China’s trading activities with the rest of the world. While there may be some differences in interpretations with respect to the role of foreign investment in raising China’s GDP, few would deny that without foreign investment, China’s reform will eventually suffocate.
References:


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World Trade Organization (WTO), International Trade Statistics, various years.


Figure 1: The Percentage of Actual FDI Utilization, 1979-1999
Source: China Foreign Economic Statistical Yearbook, 2000

Figure 2: Average size of FDI projects in China, 1979-1999
Source: China Foreign Economic Statistical Yearbook 2000
Figure 3: top 15 FDI source countries/regions, 1983-2000

Figure 4: Total export and the % of FIEs, 1980-2000.
Source: China Foreign Economic Statistical Yearbook, China Customs Stastics. Various years.
Figure 5: Total import and the % of FIEs, 1980-2000.
Source: China Foreign Economic Statistical Yearbook, China Customs Statistics. Various years.
Table 1. China's actual usage of foreign capital, 1979-1999

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1979-2000  506463  334571  24343  4.8%


Table 2. Contractual and actual FDI in China, 1979-1999

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a: include Australia, Austria, Belgium, Canada, Denmark, Finland, France Germany, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.
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**Source:** Calculated using data from China Foreign Economic Statistical Yearbook, China Statistical Yearbook, various issues.
Table 6a: Registered foreign-funded enterprises by sector 1991-1995, the end of year

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Share in total

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**Share in total**

| Farmin, Forestry, Animal Husbandry and Fishery | 2.4%   | 3.1%   | 2.4%   | 2.5%   | 2.5%   | 1.2%   | 1.7%   | 1.2%   | 1.2%   | 1.1%   |
| Mining and Quarrying | 0.7%   | 0.9%   | 0.7%   | 0.6%   | 0.6%   | 0.4%   | 1.1%   | 0.4%   | 0.4%   | 0.3%   |
| Manufacturing | 71.6%  | 70.3%  | 70.8%  | 70.6%  | 70.3%  | 54.4%  | 52.8%  | 53.0%  | 52.7%  | 55.0%  |
| Electricity, Gas and Water Production and Supply | 0.5%   | 0.6%   | 0.6%   | 0.6%   | 0.6%   | 5.1%   | 5.9%   | 6.1%   | 6.1%   | 6.0%   |
| Construction | 3.1%   | 3.0%   | 2.9%   | 2.9%   | 2.8%   | 2.5%   | 2.9%   | 2.9%   | 2.9%   | 2.7%   |
| Geological Prospecting and Water Conservancy | 0.0%   | 0.1%   | 0.1%   | 0.1%   | 0.1%   | 0.0%   | 0.1%   | 0.1%   | 0.5%   | 0.5%   |
| Transportation, Storage, Post and Telecommunication | 1.3%   | 1.4%   | 1.5%   | 1.6%   | 1.6%   | 3.1%   | 3.4%   | 4.0%   | 4.2%   | 4.0%   |
| Wholesale & Retail Trade & Catering Services | 5.9%   | 6.2%   | 6.3%   | 6.1%   | 6.0%   | 3.6%   | 3.6%   | 3.3%   | 3.2%   | 3.1%   |
| Finance and Insurance | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.3%   | 0.2%   | 0.2%   | 0.2%   | 0.2%   |
| Real Estate Management | 6.0%   | 5.9%   | 6.1%   | 6.3%   | 6.3%   | 21.1%  | 20.0%  | 20.2%  | 19.9%  | 18.3%  |
| Social Services | 6.8%   | 6.9%   | 7.0%   | 7.1%   | 7.5%   | 6.7%   | 6.5%   | 6.5%   | 6.7%   | 6.7%   |
| Health Care, Sports and Social Welfare | 0.2%   | 0.2%   | 0.2%   | 0.2%   | 0.2%   | 0.4%   | 0.4%   | 0.4%   | 0.3%   | 0.3%   |
| Education, Culture and Arts, Radio, Film and Television | 0.5%   | 0.4%   | 0.4%   | 0.3%   | 0.3%   | 0.3%   | 0.2%   | 0.2%   | 0.2%   | 0.2%   |
| Scientific Research and Polytechnic Services | 0.5%   | 0.5%   | 0.5%   | 0.5%   | 0.6%   | 0.2%   | 0.2%   | 0.2%   | 0.2%   | 0.3%   |
| Others | 0.4%   | 0.5%   | 0.5%   | 0.5%   | 0.6%   | 0.6%   | 0.6%   | 0.9%   | 1.1%   | 1.1%   | 1.2%   |
### Table 7: Industrial structure of FIEs, 1995, 2000.

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<th># of firms</th>
<th>% of Total</th>
<th>Gross Industrial Output</th>
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<td>Total</td>
<td>Percentage</td>
<td>Total Percentage</td>
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<tr>
<td>Total</td>
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<td>1013.97 23465</td>
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<tr>
<td>Chemical fiber</td>
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<td>Rubber products</td>
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<tr>
<td>Nonmetal mineral product</td>
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<td>Smelting and pressing of ferrous metals</td>
<td>380</td>
<td>169</td>
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<tr>
<td>Smelting and pressing of nonferrous metals</td>
<td>459</td>
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<td>Metal products</td>
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<td>Ordinary machinery manufacturing</td>
<td>1450</td>
<td>1043</td>
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<td>For special purposes equipment manufacturing</td>
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<td>658</td>
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<td>Transport equipment manufacturing</td>
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<td>1666</td>
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<td>Instruments, meters, cultural and office machinery</td>
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<td>504</td>
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<td>Production and supply of electric power, steam and hot water</td>
<td>229</td>
<td>276</td>
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<td>Production and supply of gas</td>
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<td>12</td>
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Note: Data for 1995 include all FIEs with independent account. Data for 2000 include only firms annual sales of over 5 million yuan.
## Table 4: Actual FDI by type of enterprises, 1979-2000

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<tr>
<th>Year</th>
<th>CIV Amount %</th>
<th>CIV Amount</th>
<th>EJV Amount %</th>
<th>EJV Amount</th>
<th>WFO Amount %</th>
<th>WFO Amount</th>
<th>FS Amount %</th>
<th>FS Amount</th>
<th>JE Amount %</th>
<th>JE Amount</th>
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<tr>
<td>1983</td>
<td>6.36</td>
<td>2.27</td>
<td>35.7%</td>
<td>0.74</td>
<td>11.6%</td>
<td>0.43</td>
<td>6.8%</td>
<td>2.92</td>
<td>45.9%</td>
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<tr>
<td>1984</td>
<td>12.58</td>
<td>4.65</td>
<td>37.0%</td>
<td>2.55</td>
<td>20.3%</td>
<td>0.15</td>
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<td>1985</td>
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<td>0.8%</td>
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<td>29.0%</td>
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<td>7.94</td>
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<td>0.9%</td>
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<td>7.80</td>
<td>24.4%</td>
<td>19.75</td>
<td>61.8%</td>
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<td>2.13</td>
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<td>22.99</td>
<td>52.7%</td>
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<td>1.69</td>
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<td>80.36</td>
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## Table 8: Indices and Growth of China's Gross Domestic Product

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<th>Per Capita GDP Indices 1978=100</th>
<th>Per Capita GDP Growth Rate %</th>
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<td>1978</td>
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<td>449.3</td>
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Note: GDP and GDP per capita are current prices values, indices are calculated at comparable prices. Source: China Statistical Yearbook, 2000.
<table>
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<th>Coastal Regions</th>
<th>Amount (A)</th>
<th>Ratio to Provincial GDP</th>
<th>Amount (B)</th>
<th>% in all investment (B/A)</th>
<th>GDP growth 1992-2000</th>
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</table>

Source: Calculated from China's Statistical Yearbook, various years.
Note: * figures in the table for Chongqing are for the years 1997-2000. Data for Chongqing before 1997 were included in Sichuan.
Table 10 Total Investment in Fixed Assets, 1980-2000.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (RMB 100 million)</th>
<th>Growth rate</th>
<th>% foreign investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>910.9</td>
<td></td>
<td>3.8</td>
</tr>
<tr>
<td>1981</td>
<td>961.0</td>
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<td>4.9</td>
</tr>
<tr>
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<td>1230.4</td>
<td>28.0</td>
<td>4.7</td>
</tr>
<tr>
<td>1983</td>
<td>1430.1</td>
<td>16.2</td>
<td>3.9</td>
</tr>
<tr>
<td>1984</td>
<td>1832.9</td>
<td>28.2</td>
<td>3.6</td>
</tr>
<tr>
<td>1985</td>
<td>2543.2</td>
<td>38.8</td>
<td>3.6</td>
</tr>
<tr>
<td>1986</td>
<td>3120.6</td>
<td>22.7</td>
<td>4.4</td>
</tr>
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<td>1987</td>
<td>3791.7</td>
<td>21.5</td>
<td>4.8</td>
</tr>
<tr>
<td>1988</td>
<td>4753.8</td>
<td>25.4</td>
<td>5.9</td>
</tr>
<tr>
<td>1989</td>
<td>4410.4</td>
<td>-7.2</td>
<td>6.6</td>
</tr>
<tr>
<td>1990</td>
<td>4517.0</td>
<td>2.4</td>
<td>6.3</td>
</tr>
<tr>
<td>1991</td>
<td>5594.5</td>
<td>23.9</td>
<td>5.7</td>
</tr>
<tr>
<td>1992</td>
<td>8080.1</td>
<td>44.4</td>
<td>5.8</td>
</tr>
<tr>
<td>1993</td>
<td>13072.3</td>
<td>61.8</td>
<td>7.3</td>
</tr>
<tr>
<td>1994</td>
<td>17042.1</td>
<td>30.4</td>
<td>9.9</td>
</tr>
<tr>
<td>1995</td>
<td>20019.3</td>
<td>17.5</td>
<td>11.2</td>
</tr>
<tr>
<td>1996</td>
<td>22913.5</td>
<td>14.8</td>
<td>11.8</td>
</tr>
<tr>
<td>1997</td>
<td>24941.1</td>
<td>8.8</td>
<td>10.6</td>
</tr>
<tr>
<td>1998</td>
<td>28406.2</td>
<td>13.9</td>
<td>9.1</td>
</tr>
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<td>1999</td>
<td>29854.7</td>
<td>5.1</td>
<td>6.7</td>
</tr>
<tr>
<td>2000</td>
<td>31917.7</td>
<td>6.9</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Source: calculated from China Statistical Yearbook, various years.

Table 11 China's Trade

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (RMB)</th>
<th>World Trade Volume (RMB)</th>
<th>Export Rank in world</th>
<th>% in GDP</th>
<th>% in World</th>
<th>Import Volume (RMB)</th>
<th>% in GDP</th>
<th>% in World</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>4518</td>
<td>19906</td>
<td>271</td>
<td>181</td>
<td>6.0%</td>
<td>299</td>
<td>0.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>1981</td>
<td>4862</td>
<td>19724</td>
<td>368</td>
<td>220</td>
<td>7.6%</td>
<td>368</td>
<td>1.1%</td>
<td>7.6%</td>
</tr>
<tr>
<td>1982</td>
<td>5295</td>
<td>18308</td>
<td>414</td>
<td>223</td>
<td>7.8%</td>
<td>358</td>
<td>1.2%</td>
<td>6.8%</td>
</tr>
<tr>
<td>1983</td>
<td>5935</td>
<td>18078</td>
<td>438</td>
<td>222</td>
<td>7.4%</td>
<td>422</td>
<td>1.2%</td>
<td>7.1%</td>
</tr>
<tr>
<td>1984</td>
<td>7171</td>
<td>19019</td>
<td>581</td>
<td>261</td>
<td>8.1%</td>
<td>621</td>
<td>1.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>1985</td>
<td>8964</td>
<td>19277</td>
<td>809</td>
<td>274</td>
<td>9.0%</td>
<td>1258</td>
<td>1.4%</td>
<td>14.0%</td>
</tr>
<tr>
<td>1986</td>
<td>10202</td>
<td>21157</td>
<td>1082</td>
<td>309</td>
<td>10.6%</td>
<td>1498</td>
<td>1.5%</td>
<td>14.7%</td>
</tr>
<tr>
<td>1987</td>
<td>11963</td>
<td>24969</td>
<td>1470</td>
<td>394</td>
<td>12.3%</td>
<td>1614</td>
<td>1.6%</td>
<td>13.5%</td>
</tr>
<tr>
<td>1988</td>
<td>14928</td>
<td>28382</td>
<td>1767</td>
<td>475</td>
<td>11.8%</td>
<td>2055</td>
<td>1.7%</td>
<td>13.8%</td>
</tr>
<tr>
<td>1989</td>
<td>16909</td>
<td>30361</td>
<td>1956</td>
<td>525</td>
<td>11.6%</td>
<td>2200</td>
<td>1.7%</td>
<td>13.0%</td>
</tr>
<tr>
<td>1990</td>
<td>18548</td>
<td>34700</td>
<td>2986</td>
<td>621</td>
<td>16.1%</td>
<td>2574</td>
<td>1.8%</td>
<td>13.9%</td>
</tr>
<tr>
<td>1991</td>
<td>21618</td>
<td>35300</td>
<td>3827</td>
<td>718</td>
<td>17.7%</td>
<td>3399</td>
<td>2.0%</td>
<td>15.7%</td>
</tr>
<tr>
<td>1992</td>
<td>26638</td>
<td>37000</td>
<td>4676</td>
<td>849</td>
<td>17.6%</td>
<td>4443</td>
<td>2.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>1993</td>
<td>34634</td>
<td>36870</td>
<td>5285</td>
<td>917</td>
<td>16.3%</td>
<td>5986</td>
<td>2.5%</td>
<td>17.3%</td>
</tr>
<tr>
<td>1994</td>
<td>46759</td>
<td>41683</td>
<td>10422</td>
<td>1210</td>
<td>22.3%</td>
<td>9960</td>
<td>2.9%</td>
<td>21.3%</td>
</tr>
<tr>
<td>1995</td>
<td>58478</td>
<td>50200</td>
<td>12452</td>
<td>1488</td>
<td>21.3%</td>
<td>11048</td>
<td>3.0%</td>
<td>18.9%</td>
</tr>
<tr>
<td>1996</td>
<td>67885</td>
<td>52540</td>
<td>12576</td>
<td>1511</td>
<td>18.5%</td>
<td>11557</td>
<td>2.9%</td>
<td>17.0%</td>
</tr>
<tr>
<td>1997</td>
<td>74463</td>
<td>55364</td>
<td>15161</td>
<td>1828</td>
<td>20.4%</td>
<td>11807</td>
<td>3.3%</td>
<td>15.9%</td>
</tr>
<tr>
<td>1998</td>
<td>78345</td>
<td>53750</td>
<td>15232</td>
<td>1837</td>
<td>19.4%</td>
<td>11626</td>
<td>3.4%</td>
<td>14.8%</td>
</tr>
<tr>
<td>1999</td>
<td>82068</td>
<td>53359</td>
<td>16160</td>
<td>1949</td>
<td>19.7%</td>
<td>13737</td>
<td>3.6%</td>
<td>16.7%</td>
</tr>
<tr>
<td>2000</td>
<td>89404</td>
<td>63640</td>
<td>20635</td>
<td>2492</td>
<td>23.1%</td>
<td>18638</td>
<td>3.9%</td>
<td>20.8%</td>
</tr>
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</table>

Source: calculated from China Statistical Yearbook, various years.
## Table 12: Total trade and trade by FIEs in USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Trade</th>
<th>Trade by Foreign-Invested Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export</td>
<td>Import</td>
</tr>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>1980</td>
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<td>20.0</td>
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<td>22.0</td>
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<td>19.3</td>
</tr>
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<td>1983</td>
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<td>21.4</td>
</tr>
<tr>
<td>1984</td>
<td>26.1</td>
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<td>42.3</td>
</tr>
<tr>
<td>1986</td>
<td>30.9</td>
<td>42.9</td>
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<td>1987</td>
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<td>43.2</td>
</tr>
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<td>1988</td>
<td>47.5</td>
<td>55.3</td>
</tr>
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<td>1989</td>
<td>52.5</td>
<td>59.1</td>
</tr>
<tr>
<td>1990</td>
<td>62.1</td>
<td>53.4</td>
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<td>1991</td>
<td>71.8</td>
<td>63.8</td>
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<td>1992</td>
<td>84.9</td>
<td>80.6</td>
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<td>1993</td>
<td>91.7</td>
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<td>121.0</td>
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<td>148.8</td>
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<td>142.4</td>
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<td>1998</td>
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<td>140.2</td>
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<tr>
<td>1999</td>
<td>194.9</td>
<td>165.7</td>
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<tr>
<td>2000</td>
<td>249.2</td>
<td>225.1</td>
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</table>

### 5-year total

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Trade</th>
<th>Trade by Foreign-Invested Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-1985</td>
<td>138.2</td>
<td>152.4</td>
</tr>
<tr>
<td>1986-1990</td>
<td>232.5</td>
<td>253.9</td>
</tr>
<tr>
<td>1991-1995</td>
<td>518.3</td>
<td>496.0</td>
</tr>
<tr>
<td>1996-2000</td>
<td>961.7</td>
<td>812.2</td>
</tr>
<tr>
<td>1980-2000</td>
<td>1,850.7</td>
<td>1,714.5</td>
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</tbody>
</table>

### Increase in annual trade

<table>
<thead>
<tr>
<th>Period</th>
<th>Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-1985</td>
<td>9.2</td>
<td>3.13%</td>
</tr>
<tr>
<td>1985-1990</td>
<td>34.74</td>
<td>21.64%</td>
</tr>
<tr>
<td>1990-1995</td>
<td>86.69</td>
<td>45.06%</td>
</tr>
<tr>
<td>1995-2000</td>
<td>100.43</td>
<td>54.33%</td>
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</table>
Table 13: Number and output of industrial enterprises, 1995-1999.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of firms (10,000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>734.15</td>
<td>798.65</td>
<td>792.29</td>
<td>797.46</td>
<td>792.99</td>
</tr>
<tr>
<td>SOEs*</td>
<td>11.8</td>
<td>12.76</td>
<td>11</td>
<td>6.47</td>
<td>6.13</td>
</tr>
<tr>
<td>%</td>
<td>1.61%</td>
<td>1.60%</td>
<td>1.39%</td>
<td>0.81%</td>
<td>0.77%</td>
</tr>
<tr>
<td>Collectives</td>
<td>147.5</td>
<td>159.18</td>
<td>177.23</td>
<td>179.78</td>
<td>165.92</td>
</tr>
<tr>
<td>%</td>
<td>20.09%</td>
<td>19.93%</td>
<td>22.37%</td>
<td>22.54%</td>
<td>20.92%</td>
</tr>
<tr>
<td>Individual-owned</td>
<td>568.82</td>
<td>621.07</td>
<td>597.47</td>
<td>603.38</td>
<td>612.68</td>
</tr>
<tr>
<td>%</td>
<td>77.48%</td>
<td>77.76%</td>
<td>75.41%</td>
<td>75.66%</td>
<td>77.26%</td>
</tr>
<tr>
<td>Others</td>
<td>6.03</td>
<td>7.02</td>
<td>7.73</td>
<td>8.57</td>
<td>9.18</td>
</tr>
<tr>
<td>%</td>
<td>0.82%</td>
<td>0.88%</td>
<td>0.98%</td>
<td>1.07%</td>
<td>1.16%</td>
</tr>
<tr>
<td>FIEs</td>
<td>5.4</td>
<td>4.43</td>
<td>4.38</td>
<td>6.25</td>
<td>6.23</td>
</tr>
<tr>
<td>%</td>
<td>0.74%</td>
<td>0.55%</td>
<td>0.55%</td>
<td>0.78%</td>
<td>0.79%</td>
</tr>
<tr>
<td>Output value (100,000,000 Yuan)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>91894</td>
<td>99595</td>
<td>113733</td>
<td>119048</td>
<td>126111</td>
</tr>
<tr>
<td>SOEs</td>
<td>31220</td>
<td>36173</td>
<td>35968</td>
<td>33621</td>
<td>35571</td>
</tr>
<tr>
<td>%</td>
<td>33.97%</td>
<td>36.32%</td>
<td>31.62%</td>
<td>28.24%</td>
<td>28.21%</td>
</tr>
<tr>
<td>Urban collectives</td>
<td>33623</td>
<td>39232</td>
<td>43347</td>
<td>45730</td>
<td>44607</td>
</tr>
<tr>
<td>%</td>
<td>36.59%</td>
<td>39.39%</td>
<td>38.11%</td>
<td>38.41%</td>
<td>35.37%</td>
</tr>
<tr>
<td>Individual-owned</td>
<td>11821</td>
<td>15420</td>
<td>20376</td>
<td>20372</td>
<td>22928</td>
</tr>
<tr>
<td>%</td>
<td>12.86%</td>
<td>15.48%</td>
<td>17.92%</td>
<td>17.11%</td>
<td>18.18%</td>
</tr>
<tr>
<td>Others</td>
<td>15231</td>
<td>16582</td>
<td>20982</td>
<td>27270</td>
<td>32962</td>
</tr>
<tr>
<td>%</td>
<td>16.57%</td>
<td>16.65%</td>
<td>18.45%</td>
<td>22.91%</td>
<td>26.14%</td>
</tr>
<tr>
<td>FIEs</td>
<td>10722</td>
<td>12117</td>
<td>14399</td>
<td>17750</td>
<td>20078</td>
</tr>
<tr>
<td>%</td>
<td>11.67%</td>
<td>12.17%</td>
<td>12.66%</td>
<td>14.91%</td>
<td>15.92%</td>
</tr>
</tbody>
</table>

Notes: 1-Data include all industrial establishments.
2-Output values are calculated using current prices.
3-The sum of the sub-categories are more than the total. There is probably double counting for firms of non-SOEs but being considered also as having controlling state shares.
*including enterprises with controlling share hold by the state.

Table 14: Contribution to industrial value-added by FIEs, 1995-2000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15446.12</td>
<td>18026.11</td>
<td>19835.18</td>
<td>19421.93</td>
<td>21564.74</td>
</tr>
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<td>SOEs*</td>
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<td>8742.42</td>
<td>9192.93</td>
<td>11076.9</td>
<td>12132.41</td>
</tr>
<tr>
<td>%</td>
<td>53.78%</td>
<td>48.50%</td>
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<td>56.26%</td>
</tr>
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<td>Collectives</td>
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<td>5255.7</td>
<td>3302.21</td>
<td>1617.93</td>
</tr>
<tr>
<td>%</td>
<td>25.03%</td>
<td>28.64%</td>
<td>26.50%</td>
<td>17.00%</td>
<td>7.50%</td>
</tr>
<tr>
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</tr>
<tr>
<td>%</td>
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<td>15.83%</td>
<td>17.86%</td>
<td>20.88%</td>
<td>22.49%</td>
</tr>
<tr>
<td>Foreign-funded enterprises</td>
<td>1193.67</td>
<td>1533.36</td>
<td>1993.79</td>
<td>1993.36</td>
<td>2520.92</td>
</tr>
<tr>
<td>%</td>
<td>7.73%</td>
<td>8.51%</td>
<td>10.05%</td>
<td>10.26%</td>
<td>11.69%</td>
</tr>
<tr>
<td>Enterprises funded by Overseas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese from Hong Kong, Macau, and Taiwan</td>
<td>1088.10</td>
<td>1320.22</td>
<td>1547.91</td>
<td>2061.7</td>
<td>2330.00</td>
</tr>
<tr>
<td>%</td>
<td>7.04%</td>
<td>7.32%</td>
<td>7.80%</td>
<td>10.62%</td>
<td>10.80%</td>
</tr>
</tbody>
</table>

Notes: 1-Data include industrial establishments with independent accounting system (1995, 1996, 1997, 1998), or all SOEs and non-SOEs above designed size (1999, 2000). 2-The sum of the sub-categories may not equal the total. There is probably double counting for firms of non-SOEs but being considered also as having controlling state shares.
*including enterprises with controlling share hold by the state.
Table 15 Share of FIEs in Industrial Total, 1995, 2000.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9.7%</td>
<td>17.5%</td>
<td>19.5%</td>
<td>27.4%</td>
<td>16.7%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Coal mining and dressing</td>
<td>0.2%</td>
<td>0.4%</td>
<td>0.2%</td>
<td>0.5%</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Petroleum and natural gas extraction</td>
<td>3.7%</td>
<td>4.0%</td>
<td>5.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferrous metals mining and dressing</td>
<td>0.6%</td>
<td>1.5%</td>
<td>0.2%</td>
<td>0.8%</td>
<td>0.2%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Nonferrous metals mining and dressing</td>
<td>1.1%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.5%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Nonmetal minerals mining and dressing</td>
<td>2.1%</td>
<td>4.2%</td>
<td>3.4%</td>
<td>5.0%</td>
<td>2.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Logging and transport of timber and bamboo</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food processing</td>
<td>6.2%</td>
<td>10.8%</td>
<td>20.4%</td>
<td>23.1%</td>
<td>20.6%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Food production</td>
<td>11.8%</td>
<td>18.5%</td>
<td>30.2%</td>
<td>39.1%</td>
<td>32.4%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Beverage production</td>
<td>8.2%</td>
<td>12.7%</td>
<td>23.5%</td>
<td>29.4%</td>
<td>21.2%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Tobacco processing</td>
<td>2.4%</td>
<td>1.5%</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Textile industry</td>
<td>16.4%</td>
<td>18.8%</td>
<td>17.9%</td>
<td>21.2%</td>
<td>20.3%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Garments and other fiber products</td>
<td>29.8%</td>
<td>43.3%</td>
<td>50.1%</td>
<td>48.5%</td>
<td>50.0%</td>
<td>48.8%</td>
</tr>
<tr>
<td>Leather, furs, down and related products</td>
<td>24.0%</td>
<td>40.3%</td>
<td>53.6%</td>
<td>56.5%</td>
<td>51.2%</td>
<td>54.6%</td>
</tr>
<tr>
<td>Timber processing, bamboo, cane, palm fiber and straw products</td>
<td>8.2%</td>
<td>21.4%</td>
<td>28.3%</td>
<td>31.6%</td>
<td>24.6%</td>
<td>28.0%</td>
</tr>
<tr>
<td>Furniture manufacturing</td>
<td>8.5%</td>
<td>28.1%</td>
<td>29.9%</td>
<td>44.9%</td>
<td>27.8%</td>
<td>43.9%</td>
</tr>
<tr>
<td>Papermaking and paper products</td>
<td>7.8%</td>
<td>14.4%</td>
<td>17.0%</td>
<td>31.6%</td>
<td>15.9%</td>
<td>28.8%</td>
</tr>
<tr>
<td>Printing and record medium reproduction</td>
<td>5.6%</td>
<td>12.4%</td>
<td>18.0%</td>
<td>32.1%</td>
<td>16.5%</td>
<td>29.4%</td>
</tr>
<tr>
<td>Cultural, educational and sports goods</td>
<td>21.4%</td>
<td>47.0%</td>
<td>50.1%</td>
<td>59.7%</td>
<td>40.6%</td>
<td>59.5%</td>
</tr>
<tr>
<td>Petroleum processing and coking</td>
<td>5.6%</td>
<td>9.5%</td>
<td>1.4%</td>
<td>5.4%</td>
<td>0.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Raw chemical materials and chemical products</td>
<td>9.3%</td>
<td>12.9%</td>
<td>13.2%</td>
<td>20.6%</td>
<td>13.6%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Medical and pharmaceutical products</td>
<td>16.1%</td>
<td>16.4%</td>
<td>19.6%</td>
<td>22.7%</td>
<td>25.6%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Chemical fiber</td>
<td>27.2%</td>
<td>25.4%</td>
<td>13.7%</td>
<td>35.1%</td>
<td>10.0%</td>
<td>39.3%</td>
</tr>
<tr>
<td>Rubber products</td>
<td>10.1%</td>
<td>18.4%</td>
<td>25.0%</td>
<td>35.3%</td>
<td>23.3%</td>
<td>35.6%</td>
</tr>
<tr>
<td>Plastic products</td>
<td>15.8%</td>
<td>30.3%</td>
<td>33.4%</td>
<td>43.6%</td>
<td>31.1%</td>
<td>44.3%</td>
</tr>
<tr>
<td>Nonmetal mineral product</td>
<td>4.2%</td>
<td>9.6%</td>
<td>11.7%</td>
<td>17.5%</td>
<td>11.6%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Smelting and pressing of ferrous metals</td>
<td>5.2%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>7.2%</td>
<td>4.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Smelting and pressing of nonferrous metals</td>
<td>9.9%</td>
<td>11.4%</td>
<td>12.6%</td>
<td>13.4%</td>
<td>10.1%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Metal products</td>
<td>7.7%</td>
<td>19.5%</td>
<td>26.6%</td>
<td>38.0%</td>
<td>23.6%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Ordinary machinery manufacturing</td>
<td>4.9%</td>
<td>11.2%</td>
<td>14.2%</td>
<td>21.4%</td>
<td>14.4%</td>
<td>22.2%</td>
</tr>
<tr>
<td>For special purposes equipment manufacturing</td>
<td>7.0%</td>
<td>10.3%</td>
<td>8.9%</td>
<td>15.3%</td>
<td>10.0%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Transport equipment manufacturing</td>
<td>7.2%</td>
<td>12.9%</td>
<td>24.6%</td>
<td>30.3%</td>
<td>23.5%</td>
<td>30.8%</td>
</tr>
<tr>
<td>Electric equipment and machinery</td>
<td>11.3%</td>
<td>21.2%</td>
<td>24.3%</td>
<td>33.2%</td>
<td>23.1%</td>
<td>34.2%</td>
</tr>
<tr>
<td>Electronic and telecommunications equipment</td>
<td>36.3%</td>
<td>47.4%</td>
<td>60.0%</td>
<td>71.6%</td>
<td>58.8%</td>
<td>65.4%</td>
</tr>
<tr>
<td>Instruments, meters, cultural and office machinery</td>
<td>17.7%</td>
<td>27.1%</td>
<td>39.7%</td>
<td>56.7%</td>
<td>36.9%</td>
<td>49.4%</td>
</tr>
<tr>
<td>Production and supply of electric power, steam and hot water</td>
<td>1.8%</td>
<td>5.7%</td>
<td>13.8%</td>
<td>15.5%</td>
<td>12.2%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Production and supply of gas</td>
<td>4.6%</td>
<td>12.0%</td>
<td>3.4%</td>
<td>28.1%</td>
<td>22.8%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Production and supply of tap water</td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.2%</td>
<td>2.0%</td>
<td>0.1%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Note: Data for 1995 include all FIEs with independent accounting. Data for 1999 include only firms annual sales of over 5 million yuan.

Table 16 China's manufactures export, 1980, 1990, 2000

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>All manufactures</td>
<td>0.8%</td>
<td>1.9%</td>
<td>4.7%</td>
<td>6</td>
</tr>
<tr>
<td>Chemical</td>
<td>0.8%</td>
<td>1.3%</td>
<td>2.1%</td>
<td>13</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>0.2%</td>
<td>0.9%</td>
<td>3.2%</td>
<td>14</td>
</tr>
<tr>
<td>Office machines and telecom equipment</td>
<td>4.6%</td>
<td>6.9%</td>
<td>10.2%</td>
<td>11</td>
</tr>
<tr>
<td>Textiles</td>
<td>4.0%</td>
<td>9.0%</td>
<td>18.1</td>
<td>1</td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Export from China includes significant exports from processing zones.