

Developing China

The Remarkable Impact of Foreign Direct Investment

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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.

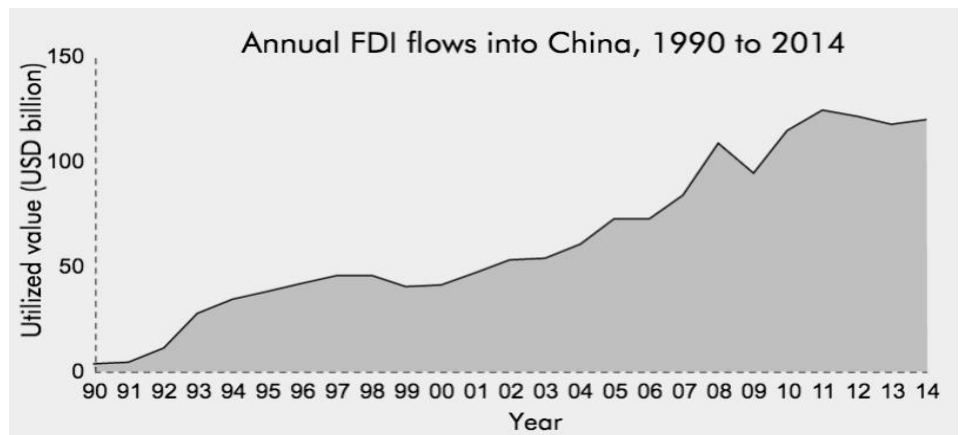


All currencies expressed in US dollars.

FDI flows into China

\$120 billion FDI in 2015

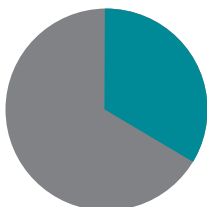
In 2015, nearly \$120 billion of foreign direct investment flowed into China. FDI continues to have a remarkable impact on **GDP and employment**.



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



Based on 2013 statistics

27% of China's employment



Based on 2009 - 2013 five year average



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



In 2013, FIEs contributed to total:

Sector	Assets	Revenue	Profit
 Computers, communication & other electronics	59%	72%	57%
 Automobiles	40%	46%	55%
 Leather, fur, feather & related products	44%	37%	33%



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

Beyond the numbers ...



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

Beyond the numbers ...



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.

Far-reaching benefits of FDI in China



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.

Modernizing Chinese industries

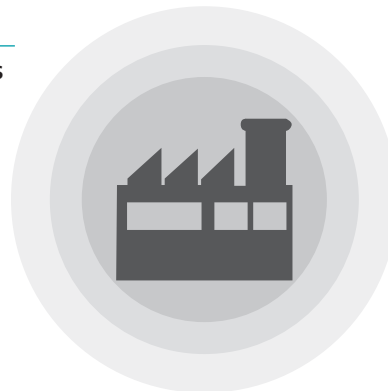
Creating suppliers & distributors

Improving technologies and R&D



Locating regional & global management in China

Providing advice on economic & business-related policies



Modernizing management training & education

Improving business practices & standards

Improving the financial system



Improving environmental & sustainability practices

Promoting legal & institutional reforms

Contributing through corporate social responsibility initiatives



“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.

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