

# 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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