

Research on the Impact of Foreign Direct Investment on Chinese Regional Economic Growth Based on the Symbiosis Theory

Lin Li

Yunnan University of Business Management, Anning, Yunnan, China

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Abstract: Since the reform and development, China's foreign direct investment has continued to increase. During this period, China's economic development has been in a state of continuous growth and has attracted widespread attention around the world. However, foreign direct investment is mainly concentrated in the eastern coastal areas of China, with less investment in the central and western regions and the northeastern region, resulting in large regional economic development differences between the eastern and western regions of China, which is not conducive to the comprehensive and coordinated development of national economic growth. This article starts with the development status of China's regional economy and the regional distribution of foreign direct investment in China, analyzes the impact of foreign direct investment on China's regional economic growth, and proposes improvement measures to guide foreign investors to make correct investments.

1. Introduction

Since the reform and opening up, China has always attached importance to the use of foreign investment to promote economic growth. With the rapid increase of foreign direct investment (FDI), China's economy has also entered a period of rapid development. Especially since the 1990s, the rapid growth of direct investment in China has not only brought the technical, capital, and management knowledge required for China's economic development, but also created employment and economic effects, and promoted China by constructing a new market system. The improvement of economic structure and system has brought about the overall development of China's economy. In 2001, China's entry into the World Trade Organization (WTO) attracted inflows of 46.9 billion U.S. dollars, ranking first in the world for the first time and increasing year by year. With the rapid inflow of FDI, many scholars have done a lot of research on the relationship between FDI and China's economic development and regional economic development. The mainstream view is that FDI inflows have promoted regional economic growth in China, but some scholars have suggested the opposite. The reasons are: first, compared with the surge in inflows, FDI has not brought advanced technology and management methods, and has not promoted the improvement of China's economic quality; The development gap has led to an imbalance in the development of the entire region. Third, the entry of many foreign-funded enterprises poses a huge threat to China's economic security. For this reason, how to avoid the negative impact of FDI and make it beneficial to the balance of various regions in China and the growth of the industry has become the main research object of this article. In addition, FDI finally flows into specific regions and industries, so it is of great significance to analyze the impact of FDI on regional and industrial economies.

2. Review of China's Utilization of Foreign Direct Investment Policies

In July 1979, the Chinese government decided to set up a pilot zone in Guangdong and Fujian provinces. In the same year, the Law of the People's Republic of China on Sino-foreign Joint Ventures was promulgated), allowing foreign investors to form joint ventures with domestic enterprises. The ministry law provides a basic legal framework for foreign direct investment. In May 1980, Shenzhen, Zhuhai, Shantou, and Xiamen were officially established as special economic zones, and policy support was granted in terms of approval authority, foreign exchange funds, financial credit, tax incentives, and supply of raw materials to attract investment from neighboring

Hong Kong and Macau. . In 1983, the State Council convened the first national conference on foreign investment and issued the “Instructions on Strengthening the Work of Utilizing Foreign Investment”, which gave relevant instructions on the further use of foreign investment. During this period, the vast majority of foreign direct investment came from Hong Kong, Macao, and Taiwan Chinese regions³³. From 1979 to 1983, there were only 1,558 foreign-invested projects with contractual foreign investment of US \$ 6.875 billion and actual investment of US \$ 2.685 billion, with an average of only several hundred million US dollars per year. The purpose of attracting foreign investment is to make up for the extreme shortage of construction funds and foreign exchange.

Beginning in 1984, under the successful demonstration of the use of foreign capital by the special economic zones, the Chinese government decided to open more areas. In 1984, 14 coastal port cities including Dalian, Tianjin, and Qingdao were opened. In 1985, the Yangtze River Delta, Pearl River Delta, southern Fujian, Xiamen and Zhangquan triangle areas, and the Liaodong Peninsula and Jiaodong Peninsula were opened. In 1990, Shanghai Pudong was developed and opened, and policies for economic and technological development zones and certain special economic zones were implemented. In 1991, the State Council successively approved the establishment of bonded areas in Shanghai Waigaoqiao, Shenzhen Futian, Shatoujiao, Tianjin Port and other important coastal ports to develop bonded warehousing, bonded processing and re-export trade. The opening up to the outside world has gradually expanded from the special economic zones to the coastal, riverside, and border areas, and a preliminary pattern of progress from the coast to the inland has taken shape. In terms of law, the “Wholly Foreign-owned Enterprise Law” and the implementation details of the “Wholly-owned Enterprise Law” and the “Cooperative Enterprise Law” have been promulgated. The “Sino-foreign Joint Venture Law” in 1990 was amended to relax restrictions on foreign-funded enterprises. From 1984 to 1991, a total of 40,945 foreign investment projects were used, with contractual foreign investment of US \$ 45.621 billion, actual investment of US \$ 22.373 billion, and an average annual utilization of US \$ 2.797 billion, a significant development over the first stage. At this stage, investment from Taiwan has grown rapidly. From the purpose of attracting foreign investment, in addition to continuing to supplement the shortage of construction funds and foreign exchange, it also proposed that “the market is exchanged for technology”, hoping to transfer some market shares for the technology of multinational companies. From the perspective of regional distribution, from 1984 to 1991, 91% of FDI was distributed in the eastern region, and the total amount in other regions was 9%.

After Deng Xiaoping's speech in 1992, China's opening to the outside world and reform of the economic system opened a new situation. The State Council has decided to expand the scope of opening to the outside world based on the opening up of the coast and realize opening to the outside along the Yangtze River (Yangtze River), along the lines (Longhai Line, Lanxin Line), and along the border (borders), thus forming a comprehensive opening up nationwide. pattern. In the process of opening up mainly to border and inland cities, except for the border towns that have some specific operational problems with the above policies, the rest of the regions have adopted the policy of opening up coastal cities. In terms of foreign investment policies, in June 1995, the State Council issued the Interim Provisions on Guiding the Direction of Foreign Investment) and the Catalogue for Guidance of Foreign Investment Industries, and in April 1996 cancelled the exemption from the import tax exemption for foreign-funded enterprises' imported equipment. treatment. At the same time, the central government has delegated the authority to approve foreign investment, and projects with an investment amount of less than 30 million U.S. dollars will be approved by local governments themselves. From 1992 to 2000, the actual use of foreign direct investment was US \$ 333.3 billion, and the average annual amount of foreign investment used reached US \$ 35.9 billion. Moreover, since 1992, China has become the country with the largest number of FDI in developing countries for many years. During this period, large multinational companies represented by the Global Top 500 have come to China to invest, and both the scale of investment and the level of technology have greatly improved. China has gradually become a “major manufacturing country”.

3. The Reality of China's Regional Economic Development Gap

From 1978 to 2008, a survey of the proportion of GDP in China's four major regions showed that except for the GDP of the eastern region, which continued to rise, the rest of the western, central, and northeast regions continued to decline. During this period, the scope of economic activity has been concentrated in the eastern region. Regional per capita GDP survey results show that until 2008, the per capita GDP of the eastern region was the highest, followed by the central and western regions, and the per capita GDP of the northeast region remained at the lowest level during this period. In Zhang Ping's statistics on the coefficient of variation of per capita GDP in the four major regions, we know that the coefficient of variation can effectively reflect the size of the regional gap. From 1978 to 2008, in the "Rise of Central China", "Western Development" and "Rejuvenating Northeast China" support policies Under the influence of the promotion effect of China and the huge impact of the financial crisis in 2008, although the coefficient of variation of per capita GDP has declined, on the whole, the growth of the gap between regions is still expanding. This shows that during the period of reform and opening up, the status quo of China's regional economic development was quite different and development was uneven. A large part of the reason was due to the uneven distribution of foreign direct investment.

4. Regional Distribution of Foreign Direct Investment in China

The eastern coastal areas have a great advantage in the economic development of China's four major regions. Since 1992, the proportion of foreign direct investment in the country has been leading the eastern region. Later, with the deepening of the reform and opening up process, foreign direct investment in central, western and northeastern China also increased. Although the subsequent financial crisis seriously affected the economic development of the eastern region, foreign direct investment in the eastern region was in a downward trend during this period. However, shortly after, the investment proportion in the eastern region has resumed its leading position, and there is still a large gap in regional distribution. During the 30 years of reform and opening up, in the regional distribution of China, foreign direct investment has also been slowly advancing to the central and western regions and the northeastern region. However, the level of investment in these regions is relatively low and scattered, which cannot really play a role in promoting regional economic growth. The role has also failed to change the situation where foreign direct investment is concentrated in the eastern coastal areas. This is the current regional distribution of foreign direct investment in China. Such a distribution situation will inevitably lead to serious imbalances in regional economic growth and obvious differences in regional economic development, which will have a bad impact on China's economic development and are not conducive to the coordinated development of China's regional economic growth. China officially joined the World Trade Organization in 2001, and its opening to the outside world has entered a new stage. In terms of foreign investment legislation, in 2000 and 2001, in accordance with the relevant requirements of the World Trade Organization, China successively revised the three major foreign investment laws, the Sino-foreign Joint Venture Business Law, the Sino-foreign Cooperative Enterprise Operation Law, and the Foreign Enterprise Operation Law. Many restrictions on foreign companies have been removed. In accordance with WTO regulations, the service industry including finance and telecommunications will be gradually liberalized. From the perspective of investment fields, a new Catalogue for the Guidance of Foreign Investment Industries began to be implemented in 2002, and restrictions on foreign investment operations were further relaxed. Agriculture, infrastructure construction, and high-tech industries continue to be areas that encourage foreign investment. Telecommunications, power, water supply It has also become an area where investments can be made. With the development and change of China's economy, the preferential policies for foreign investment have also been adjusted in a timely manner. In 2007, the corporate income tax law was amended to unify the income tax of domestic and foreign-funded enterprises. With the increase of cross-border M & A investment, the Anti-monopoly Law was passed in 2008. Expand open areas and encourage foreign investment in high-

end manufacturing, high-tech industries, modern service industries, new energy sources, and energy-saving and environmental protection industries. Strict restrictions on “two highs and one investment” and low-level, excess capacity expansion projects.

5. Impact of Foreign Direct Investment on China's Regional Economic Growth

China's regional economic growth is affected by many factors. Foreign direct investment plays an important role in it. Foreign direct investment has promoted the economic development of China's eastern coastal areas. With the continuous advancement of reform and opening up, foreign direct investment has shifted from the eastern region to the western, central, and northeastern regions, but foreign direct investment to a large extent cannot directly affect these regions, nor can it fundamentally solve the regional economy. The problem of obvious differences and uneven economic development. Through the investigation of the regional distribution of foreign direct investment in China, we know that changing the regional distribution of investment is not easy to achieve, because foreign direct investment has less investment in the central, western and northeastern regions, and the level of investment is low, and Investment is also relatively scattered, which cannot improve the actual efficiency of investment. Therefore, in order to solve the imbalance of the impact of foreign direct investment on regional economic development, we must first improve the preferential policies given by the government, increase investment, and give priority to the central and western regions. Northeast China increased foreign direct investment. At the same time, it is also necessary to change the traditional investment strategy, focus on the quality of the investment rather than the quantity, introduce some high-quality investment funds for the central and western regions and the northeastern region, and improve investment efficiency.

Although the central and western regions and the northeastern region are geographically inferior to the eastern coastal regions, potential natural resource development can also bring them certain development advantages. The state's support policies for the central and western regions and the northeastern region can also show that these regions have Great development potential. Therefore, in order to change the development status of the central and western regions, on the one hand, it is necessary to improve the relevant policies for investment and strengthen the improvement of investment efficiency; on the other hand, it is necessary to strictly control the quality of funds for foreign direct investment and strengthen the quality of introduced funds; finally In order to effectively invest funds in the economic construction of various regions, speed up industrial upgrading and avoid waste of funds. These measures can give full play to the role of promoting economic growth, gradually eliminate the gap with foreign direct investment in the eastern region, and realize the coordinated development of China's regional economic growth.

6. Conclusion

The economic development gaps in the eastern, central and western and northeastern regions of China have long existed. After the reform and opening up, the remarkable feature of the regional economic development pattern is that the regional gaps have further expanded. Corresponding to this widening economic development gap, foreign direct investment has continued to increase. Since 1993, China's absorption of foreign investment has ranked first among developing countries for 16 consecutive years. However, at the same time, the distribution of foreign direct investment in China is very uneven. More than 80% of foreign direct investment is concentrated in the eastern coastal areas, and the FDI attracted by Jilin and Heilongjiang in the northwest and the northeast is very small. Although the imbalance in regional economic growth is caused by many factors, the synchronicity between the difference between foreign direct investment and economic growth still gives us reason to believe that to some extent it has exacerbated the imbalance between regional economic growth. A large amount of FDI research literature has proved that foreign direct investment has a promoting effect on the regional economy. The practice of China's 30 years of opening up has also proved the role of FD workers in promoting economic growth. The imbalance in the regional distribution of FD workers in China is consistent with the imbalance in regional

economic development in China. Many studies have proved that this gap in regional economic development can be largely attributed to the imbalanced distribution of foreign direct investment.

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