Preface

Foreign direct investment in China has been one of the most successful aspects of China's economic reform and opening up to the outside world. The gradual liberalization of restrictions on FDI since 1979, the government's commitments for further opening up, particularly the commitments to the World Trade Organization in trade and investment liberalization, have greatly improved the overall investment environment in China. Foreign firms have been attracted by the huge domestic market and pool of relatively well-educated, low-cost labour, which has made China one of the most attractive destinations for FDI in the world.

Over the course of the past three decades, FDI became well established in China's economy, and the activities of multinational enterprises came to assume increasing importance in capital formation, labour training, technology transfer, international trade, and in accelerating the transition of China from a planned economy to a market economy. As a result, FDI has increasingly integrated the Chinese economy into the world economy.

This book presents a comprehensive analysis of FDI in China. It provides a remarkable background of information on the growth of FDI inflows and the evolution of China's FDI policies for the past 30 years; a thorough analysis of the leading theoretical explanations of FDI and a series of rigorous empirical examinations of the location determinants of FDI; a comprehensive analysis of the differences in investment and production behaviour between the major investors; and an in-depth investigation of the impacts of FDI on China's economy.

The results of this study provide us with much insight into the general issues of FDI in developing countries. In particular, this study extends our knowledge in three main ways: (1) greater understanding of the general causes of FDI from the aspect of the 'demand-side' factors by focusing on investigating the location determinants affecting inter-country and inter-region distributions of FDI; (2) better knowledge of the differences between the developing source economies and the developed source economies in their investment relationships with China, and the distinctive features of the investments from the overseas Chinese investors as compared to those from the foreign country investors; and (3) further evidence

of the impact of FDI on economic growth, the spillover effects of FDI on productivity and exports of domestic firms in the case of FDI in China.

I hope this book will be a valuable source for scholars and students who are interested in FDI studies in general and in Chinese economic studies in particular, and also be of interest to a wide range of readers.

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