

What is the impact of FDI on Foreign Trade in China?

Greg X. Gong, Ph.D.

Lecturer/Statistician, UNSIAP, Chiba, Japan

Tel: +81-43-299-9789 Fax: +81-43-299-9780

Email: xgong@email.com

February 2002

Abstract

This study quantitatively examines the impact of foreign direct investment (FDI) on foreign trade in China by applying econometric methods, a regression model and time series analysis, on both a macroeconomic time series dataset and industrial cross-sectional dataset. The findings are twofold: (a) at the macroeconomic level, FDI inflows have contributed positively to increase current account balance and trade balance; (b) at the industrial level, FDI-type corporations tend to have higher propensity to exports than corporations with domestic capital. As such, both the macro and micro datasets support the main conclusion of this study that FDI inflows have been a complement rather than a substitute to foreign trade and an increase in FDI inflows has resulted in an increase in exports by China.