

FDI in China: Institutional Evolution and its Impact to Different Sources

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Abstract

The institutional infrastructure towards FDI in China has experienced a fundamental change attributing to the economic reform since 1979. This plays an important role in establishing a business-friendly environment for further FDI promotion.

From 1979, China has devote arduous efforts in earning strict confidence from foreign investors due to the foregone socialist planning economic system. At the early stage, Hong Kong (including Macao) dominated the FDI inflows to China. From 1987, Hong Kong reached its turning point and changed its invest patterns. The confirmation of economic reform and policies has updated the institutional infrastructure since 1992 and brought huge FDI inflows both in kinds and volume. The proportion of the different sources is changing.

This paper intends to examine such an argument via the following focuses: (1) to trace the legal opening up and FDI specific policies, (2) to study the different patterns of different FDI sources in the different stages, (3) to analyze the institutional impact on the patterns and behavior of different FDI sources.

Results of the study demonstrate that the changing proportion of the different FDI sources in the different stages is correlated with the institutional evolution. The institutional evolution is a finger to point the further FDI trend.

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