

The Influence of Foreign Direct Investment on China's Economic Growth

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Abstract: China's economic construction level continues to improve and has become the second-largest country globally, widely attracting a large amount of foreign direct investment under the background of economic globalization. As we all know, foreign direct investment is a meaningful way to deepen the internationalization of production, which can affect China's economic growth and play an economic role in resource allocation, foreign Trade, technology introduction, and so on. Consequently, this study intends to analyze the concept and theoretical basis of foreign direct investment and China's economic growth, in-depth analysis of the impact of foreign direct investment on China's economic growth, hoping to provide a reference for professionals.

Introduction

Since China joined the World Trade Organization, it has been actively involved in the industrial transfer and international trade exchanges. In this context, China has formulated a series of preferential policies and measures to obtain more foreign direct investment. Besides, with the help of solid market potential and rich natural resources, it has gradually become one of the most attractive countries for foreign direct investment in the world. By 2019, foreign direct investment in China has reached 941.5 billion yuan, ranking second in the international foreign capital introduction market. It has made up for the shortage of funds in the Chinese market and fully mobilized the vitality of market development, which means that increasing foreign direct investment is an important driving force for China's economic construction. However, in recent years, government agencies also pay more and more attention to the quality of foreign capital introduction with the substantial increase in the inflow of foreign capital and the continuous improvement of the speed of China's economic development. By improving the quality of foreign direct investment, we can promote the constant transformation of the economic development model and enhance China's opening to the outside world, thus laying a good foundation for improving the quality and efficiency of China's economy.

1. A Summary of Foreign Direct Investment and China's Economic growth

1.1 The concept of the quality of Foreign Direct Investment

Experts and scholars mostly start from the quantitative point of view when defining foreign direct investment combined with the relevant literature and data. The International Monetary Fund believes that foreign direct investment is a form of international investment. That is, residents of one economy gain long-term benefits by investing in enterprises in other economies. However, in terms of the quality of foreign direct investment, the concept is relatively vague. In 2006, the World Investment report issued by the United Nations mentioned high-quality foreign direct investment for the first time and identified it as foreign investment to improve the host country's technological level, enterprise competitiveness, and employability. In addition, this also means that improving the quality of foreign direct investment can lay a good foundation for the economic construction of the host country.

1.2 Research on China's Economic Growth

China adheres to a sustainable development strategy, and a green economy has become the

general trend of economic construction under the background of the new era. The so-called green economy ensures the balanced development of the economy and environment by analyzing the relationship between green economic growth, sustainable development, and a low-carbon economy with the help of green development [1-3]. A low-carbon economy is developed based on low-carbon technology and new energy technology, that is, to create various types of products and create sustainable development opportunities while reducing energy consumption and environmental pollution as much as possible. Green economic growth is a kind of green development strategy put forward from the point of view of economics. For example, implementing a green financial growth strategy can guarantee the ecological development of agriculture and the construction of industrial environmental protection. To put it simply, it is an economic growth model that focuses on improving the speed of economic growth and environmental protection. In addition, sustainable development is also an essential part of the green economy. Therefore, it is necessary to consider economic growth and ensure the coordinated development of the economy and ecology while protecting natural resources and biodiversity to implement sustainable development.

2. The Impact of Foreign Direct Investment on China's Economic Growth

2.1 Positive Influence

Foreign direct investment can make up for the shortage of funds in the domestic market and stimulate the vitality of economic market development, promote the continuous transformation of the market mechanism, and comprehensively improve the research and development capabilities of new products and new products technologies of enterprises. In the meanwhile, it can solve a series of problems such as employment pressure and personnel training. Thus, it can be seen that foreign direct investment has brought specific positive effects on China's economic growth, which can be analyzed from the following aspects:

2.1.1. Increasing the Supply of Capital to Make up for the Shortage of the Economy

There has always been an imbalance in the level of economic development among various regions in China. In addition, many economically backward areas have insufficient funds in the road to sustainable development, which can be effectively solved by introducing foreign capital. In the meanwhile, it can provide a guarantee for regional economic restructuring. In addition, the foreign direct investment will also bring new products, new technologies, and new equipment to the regional economic construction. Besides, the joint venture between domestic enterprises and foreign capital can also improve the credit capacity, guarantee the ability of enterprises, and enable enterprises to obtain more credit funds from development, which plays a positive role in domestic economic growth.

2.1.2. Increasing Finance and Tax Revenue and Increasing the Gross Domestic Product (GDP)

In recent years, finance and taxation have become one of the primary sources of funds in various regions with the continuous expansion of the scale of foreign investment in the domestic economic market and the continuous increase of corporate tax revenue, which has increased the global GDP of domestic enterprises to a certain extent.

2.1.3. Promote Economic Growth and Mobilize the Vitality of Market Development

Nowadays, foreign direct investment has become the main force of China's economic construction, which is conducive to laying the foundation for our country to better adapt to the international market. In the meanwhile, it has mobilized the vitality of China's economic market development, in addition, combined with the actual situation of the utilization of foreign capital, the higher the utilization rate, the faster the growth rate of the domestic market economy. This also means that foreign direct investment positively promotes economic growth and enhances market vitality.

2.1.4 Adjusting the Economic Structure and Promoting Industrial Upgrading

The use of foreign investment can optimize the ownership structure of the economic market and lay a good foundation for promoting the co-existence and coordinated development of ownership. Meanwhile, adjusting the industrial system through foreign investment can encourage the rapid upgrading of the industry. Meanwhile, foreign investment can also promote foreign trade exports and rationally change the product structure, consumption structure, and labor employment structure, which plays a specific role in promoting the sustainable development of China's economy.

2.1.5 Introducing New Technology to Improve the Ability of Product Innovation and Research and Development

The application of foreign investment by domestic enterprises in production and operation can make up for the shortage of funds and thoroughly learn from advanced alien technology. Moreover, it is conducive to laying the foundation for enterprises' innovative product research and development capabilities. Furthermore, it can save R & D time, reduce R & D costs, guarantee the healthy development of enterprises, and lay the foundation for national economic construction.

2.1.6 Changing the Concept of Development and Innovating the System of Development

In the past, the goal can be summarized into two points in applying foreign investment in the domestic market: one is to solve financial and technical problems, and the other is to improve management ability. However, in the context of deepening the reform of the system, the role of foreign direct investment is becoming more and more prominent, specifically reflected in the transformation of ideas and innovation system and so on. Specifically, China includes a series of external factors in the initial stage of foreign capital utilization, such as concept progress and system reform. Through practice, it can be seen that foreign direct investment has indeed played a prominent role in promoting this aspect [4-5].

2.2 Negative Influence

Although foreign direct investment can have a positive impact on China's economic growth, there are also the following problems:

2.2.1 The Scale of the Enterprise is Small, and the Comprehensive Benefit is Not High.

Many foreign-invested enterprises are small in scale and do not have high comprehensive benefits in the development process, which are embodied in their weak strength, low level of technology, and limited product innovation ability. Consequently, it leads to their inferior position in the international market competition. This is also an essential factor affecting the stable development of foreign direct investment enterprises.

2.2.2 The Profound Convergence of Industries Restricts the Further Development of Enterprises with Advantages and Characteristics.

Due to the late start and small scale of foreign-invested enterprises, the development of the industry shows the characteristics of assimilation through the quantity and quality of foreign investment in China are constantly improving, which seriously affects the expansion and strength of our characteristic industries. For example, in Inner Mongolia, foreign direct investment is mainly concentrated in the clothing industry, which makes the products gradually develop in the direction of assimilation, mainly in the manufacture of cashmere products, due to the limited cashmere resources, leading to problems in the industrial structure, reflected primarily on poor competitiveness, low comprehensive efficiency and so on.

2.2.3 The Development Level of Foreign-invested Enterprises is Not Balanced.

It is reflected explicitly in the imbalance of industrial development. At this stage, foreign direct investment mainly concentrates on China's catering industry, manufacturing, Pudong Development retail trade, and other aspects. However, there is no corresponding financial support for agriculture and animal husbandry, which leads to the shortage of funds in infrastructure construction,

technology optimization, and other aspects of agriculture and animal farming, which seriously affects the healthy development of agriculture and animal husbandry. Meanwhile, there are deficiencies in the cooperation between foreign direct investment and the tertiary industry, especially for the service industries with high technology and skills, which leads to the slow development of the tertiary sector. Moreover, it is not in line with the needs of national economic construction [6-7].

3. Suggestions on Improving the Utilization Rate of Foreign Direct Investment and Promoting the Sustained Growth of China's Economy

From the above analysis, it can be concluded that foreign direct investment plays a positive role in promoting the sustainable development of China's economy. However, trade exchanges and economic development between countries are changing with each passing day in the context of global economic integration, promoting China's economy to enter a critical stage of transformation. At the present stage, the growth rate of foreign direct investment is gradually declining due to the rising investment costs in China. For example, labor costs, material costs, and exchange rate costs will crowd out foreign investment profits to a certain extent. But In the meanwhile, from the perspective of economic construction, China has developed to the current situation. Therefore, the increase in investment cost has become inevitable, an unavoidable problem for all economies. As a consequence, to achieve the goal of stable economic development and improve the attractiveness of foreign direct investment, efforts need to be made in the following aspects:

3.1 Implementing the Negative List Management Model and Establishing A Free Trade Zone

Shanghai is the first area in mainland China to implement the negative list management model. As early as 2013, Shanghai introduced relevant management measures and achieved good results. On this basis, China should also actively build a free trade zone system. This needs to learn from international rules fully and organically integrate the negative list management model with relevant laws and regulations; on the one hand, we can further clarify the most-favored-nation treatment and national treatment and other pertinent foreign direct rules investment can enjoy. But, on the other hand, it can improve the management level of the national economy, people's livelihood, and national security. For such vital areas, it is necessary to abolish the most-favored-nation treatment for foreign direct investment resolutely. In addition, China should also establish and improve the foreign natural investment system, provide a factual basis for our country to plan the range of foreign investment, and formulate corresponding preferential policies for agriculture, animal husbandry, and other economic fields in urgent need of foreign direct investment. Therefore, it is necessary to use the negative list management model to improve management and give full play to the free trade zone to try and do it first, to lay a good foundation for introducing foreign investment in our country.

3.2 Strengthening Macro-guidance and Improving the Level of China's Opening to the Outside World

As the leading department of foreign direct investment, government departments need to give full play to their functions under the socialist economic system, formulate scientific and reasonable foreign investment application strategies, and improve the level of China's opening up to the outside world in an all-round way. Government departments must give macro guidance to the beginning up of various regions, provide a full play to their regional and industrial advantages, rationally adjust the ways of foreign investment, and define essential investment areas to achieve this goal. We will guide unfamiliar people in business to invest rationally and adhere to the basic principles of high starting point, large-scale and sustainable development. Meanwhile, as mentioned above, China insists on implementing the sustainable development strategy and the green economic growth model in an all-around way. In terms of foreign direct investment, we should also pay attention to improving the quality, resolutely resist the problems of low-grade, high pollution and charge construction, effectively improve the utilization rate of foreign investment, promote the rapid

development of the domestic economy, and ensure scientific and reasonable macro guidance and orderly micro activities. Only in this way can we improve the level of China's opening up to the outside world.

3.3 Giving Full Play to Regional Advantages and Vigorously Developing Economy with Characteristics

The market economy needs to follow the basic principle of seeking truth from facts in development. At the present stage, all regions need to be fully aware of their development advantages and step up efforts to develop characteristic economy and industries in our country's Omni-directional and multi-field opening environment. It is necessary to persist in opening up not only to the outside world but also internally. Based on determining the regional advantage industries, it is also required to emancipate the mind and expand the industrial scale to lay a good foundation for the innovation and development of enterprises and make it a superior industry to promote the development of the regional economy.

3.4 Trying Best to Narrow the Regional Economic Differences and Use the Grand Opening up to Promote Significant Development.

Suppose China wants to improve economic development and keep pace with the developed countries in the national field. In that case, it is necessary to set up the lofty goal of "going to the forefront" and comprehensively implement a large-scale development strategy under the new situation of the continuous deepening of economic globalization. Therefore, we will actively implement measures to bring in and go out and enforce the Omni-directional opening-up policy. Especially in recent years, China's market financial system is constantly changing. As a result, the gap in regional economic development is getting bigger and bigger, and there is a trend of further aggravation in future growth. In view of this problem, China needs to take fundamental measures to change uneven regional economic development. In other words, in addition to actively striving for national investment, we should also adhere to the measurement of large-scale opening-up and effect, promote significant development through large-scale development, and narrow the development gap between regions as much as possible.

3.5 Improving the Environment for Foreign Direct Investment

It is necessary to constantly expand the quantity and quality of foreign direct investment if China wants to achieve stable economic growth. To meet this demand, it is needed to improve the unfamiliar natural investment environment, distant source structure of foreign investment, increase the attractiveness of investment, make more foreign assets enter the domestic market, and effectively solve a series of problems such as lack of funds.

4. Conclusion

Generally speaking, foreign direct investment has become an important driving force of China's economic construction with the deepening of economic globalization. Its acquisition and application are closely related to China's state-owned economy, private economy, and collective economy, which forms a whole and lays a good foundation for the rapid growth of the market economy. Meanwhile, it also changes the mode of economic growth and effectively improves the quality of the economy. However, everything has its advantages and disadvantages. When foreign direct investment promotes economic development, there are also many problems, including small enterprise-scale, low comprehensive efficiency, profound industry convergence, restricting the further development of industries with advantageous characteristics, and so on. Consequently, this study puts forward measures to optimize the structure of foreign investment, hoping to lay a foundation for the rapid growth of China's economy.

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