

# **Analysis of Utilization of Foreign Direct Investment in China**

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## **Abstract**

With the development of the globalization, foreign direct investment (FDI) has become a hotspot in the Chinese economy which accelerates the progress of science and technology as well as the adjustment of the industrial structure of China. The paper points out the status quo of utilization of FDI in China, including scale of FDI, source of FDI, using FDI by region and industry and the import and export of foreign-invested enterprises of China. Finally, the paper points out some suggestions about how China makes better use of FDI, including promoting the regional coordinated development and optimizing the industrial structure of FDI.

**JEL classification numbers:** F21

**Keywords:** Foreign direct investment, FDI, China, Policy

## **1 Introduction**

It has lasting for nearly 35 years since China's reform and opening up policy was enforced. China has made breakthroughs in using FDI which has had a far-reaching and significant impact on China's economic development. China is one of the countries which have absorbed the largest amount of foreign investment in the world. As the goal transfers from quantitative expansion to quality enhancement, China need evaluate the efficiency of FDI utilization in depth. As an important carrier for the international industrial transfer, the contradictory operation and trends of FDI will have a thorough influence on China's economy.

In March 2013, Ministry of Commerce of China released Guidance of Ministry of Commerce on Foreign Investment Attraction in China in 2013, stating "Affected by the financial crisis, the recovery of the global economy is still slow and remains sluggish.

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Though China's economy develops faster than the global economic recovery, multinational companies are still optimistic about the prospects of long-term investment in China, China still faces increasing prices of factors of production, tight land supply and structural shortage of labor supply.” In this way, Ministry of Commerce of China pointed out that, “In 2013, China should grasp the basic connotation of win-win, multivariate balance, safe and efficient open economy accurately under the domestic and international situation. China should insist on opening wider to the outside world, improve the comprehensive advantages and effectiveness of FDI utilization as well as promote the introduction of foreign capital, technologies and talents.”

In this circumstance, this paper not only analyzes the current situation that China utilizes FDI, but also proposes some countermeasures and suggestions on boosting the coordinated development of FDI and China's economy.

## **2 The Situation of Utilization of FDI in China**

### **2.1 The Amount of Utilization of FDI**

GDP not only reflects the economic situation of a country, but also embodies the country's strength and wealth, therefore it is recognized as the best indicator to measure a country's economy. The share of FDI in GDP can presents the general trend of FDI utilization of a country. Table 1 illustrates GDP and the actually used FDI in China since the reform and opening up policy was implemented. Since the reform and opening up policy was carried out, the FDI used by China actually has increased with the rise of GDP year by year. Particularly, in 1992 and 1993, the used FDI saw the fastest growth rates 152.13% and 149.95% respectively. Of course, in the recent years, the growth rate reduced. The growth rate in 1999 was 11.31% lower than 1998, the growth rate in 2005 saw a decrease of 0.5% compared with 2004, the growth rate in 2009 fell down by 2.56% from 2008, the growth rate in 2012 was 3.7% less than 2011. In addition, the share of FDI in GDP showed an upward trend from 1990s, hitting the peak 0.78% in 1993. Since 1993, the share has tended to decline, touching the bottom 0.22% in 2012.

Table 1: GDP and the Amount of Utilization of FDI in China, 1979-2012. (USD 100 million)

| Year      | Actually Used FDI | Year-on-Year Growth Rate of Actually Used FDI(%) | GDP      | Year-on-Year Growth Rate of GDP (%) | Proportion of Actually Used FDI to GDP(%) |
|-----------|-------------------|--|----------|-------------------------------------|---|
| 1979-1984 | 41.04             | -  | 31993.8  | -                                   | 0.13                                      |
| 1985      | 19.56             | -  | 9016     | -                                   | 0.22                                      |
| 1986      | 22.44             | 14.72  | 10275.2  | 13.97                               | 0.22                                      |
| 1987      | 23.14             | 3.12   | 12058.6  | 17.36                               | 0.19                                      |
| 1988      | 31.94             | 38.03  | 15042.8  | 24.75                               | 0.21                                      |
| 1989      | 33.92             | 6.2  | 16992.3  | 12.96                               | 0.20                                      |
| 1990      | 34.87             | 2.8  | 18667.8  | 9.86                                | 0.19                                      |
| 1991      | 43.66             | 25.21  | 21781.5  | 16.68                               | 0.20                                      |
| 1992      | 110.08            | 152.13   | 26923.5  | 23.61                               | 0.41                                      |
| 1993      | 275.15            | 149.95   | 35333.9  | 31.24                               | 0.78                                      |
| 1994      | 337.67            | 22.72  | 48197.9  | 36.41                               | 0.70                                      |
| 1995      | 375.21            | 11.12  | 60793.7  | 26.13                               | 0.62                                      |
| 1996      | 417.26            | 11.21  | 71176.6  | 17.08                               | 0.59                                      |
| 1997      | 452.57            | 8.46   | 78973    | 10.95                               | 0.57                                      |
| 1998      | 454.63            | 0.46   | 84402.3  | 6.87                                | 0.54                                      |
| 1999      | 403.19            | -11.31   | 89677.1  | 6.25                                | 0.45                                      |
| 2000      | 407.15            | 0.98   | 99214.6  | 10.64                               | 0.41                                      |
| 2001      | 468.78            | 15.14  | 109655.2 | 10.52                               | 0.43                                      |
| 2002      | 527.43            | 12.51  | 120332.7 | 9.74                                | 0.44                                      |
| 2003      | 535.05            | 1.44   | 135822.8 | 12.87                               | 0.39                                      |
| 2004      | 606.3             | 13.32  | 159878.3 | 17.71                               | 0.38                                      |
| 2005      | 603.25            | -0.5   | 184937.4 | 15.67                               | 0.33                                      |
| 2006      | 630.21            | 4.47   | 216314.4 | 16.97                               | 0.29                                      |
| 2007      | 747.68            | 18.64  | 265810.3 | 22.88                               | 0.28                                      |
| 2008      | 923.95            | 23.58  | 314045.4 | 18.15                               | 0.29                                      |
| 2009      | 900.33            | -2.56  | 340902.8 | 8.55                                | 0.26                                      |
| 2010      | 1057.35           | 17.44  | 401202   | 17.69                               | 0.26                                      |
| 2011      | 1160.11           | 9.72   | 472881.6 | 17.87                               | 0.25                                      |
| 2012      | 1117.16           | -3.7   | 519322   | 9.82                                | 0.22                                      |

"-" stands for data not available.

Source: Department of Trade and External Economic Relations Statistics, China National Bureau of Statistics, *China Trade and External Economic Statistical Yearbook*, China Statistics Press, Beijing, 2012.

## 2.2 Utilization of FDI by Source

At present, more than 160 countries and regions, especially Hong Kong, have invested in Mainland China. Table 2 reflects top 10 sources of FDI in China. Hong Kong accounts for over 60% of FDI in China. In addition, Japan, Singapore, Taiwan, the United States, South Korea, Germany and the Netherlands invested more in 2012 compared with 2011. In particular, the investment of Taiwan nearly increased by about 4%.

Table 2: Utilization of FDI in China by Country or Region (Top 10), 2011-2012. (USD 100 million)

| Rank                                       | 2011             |                   |           | 2012             |                   |           |
|--|------------------|-------------------|-----------|------------------|-------------------|-----------|
|  | Country (Region) | Actually Used FDI | Share (%) | Country (Region) | Actually Used FDI | Share (%) |
| 1  | Hong Kong        | 705.00            | 60.77     | Hong Kong        | 712.89            | 63.81     |
| 2  | Virgin Islands   | 97.25             | 8.38      | Japan            | 73.8              | 6.61      |
| 3  | Japan            | 63.30             | 5.46      | Singapore        | 65.39             | 5.85      |
| 4  | Singapore        | 60.97             | 5.26      | Taiwan           | 61.83             | 5.53      |
| 5  | South Korea      | 25.51             | 2.20      | USA              | 31.3              | 2.80      |
| 6  | USA              | 23.69             | 2.04      | South Korea      | 30.66             | 2.74      |
| 7  | Cayman Islands   | 22.42             | 1.93      | Germany          | 14.71             | 1.32      |
| 8  | Taiwan           | 21.83             | 1.88      | Netherlands      | 11.44             | 1.02      |
| 9  | Samoa            | 20.76             | 1.79      | UK               | 10.31             | 0.92      |
| 10   | Mauritius        | 11.39             | 0.98      | Switzerland      | 8.78              | 0.79      |
| Total Amount of Actually Used FDI in China |                  | 1160.11           | 100       |                  | 1117.16           | 100       |

Source: Department of Trade and External Economic Relations Statistics, China National Bureau of Statistics, *China Trade and External Economic Statistical Yearbook*, China Statistics Press, Beijing, 2012.

### 2.3 Utilization of FDI by Form

In the current years, China mainly utilizes FDI by form of wholly foreign-owned enterprises. Table 3 concludes utilization of FDI by form in 2011 and 2012. Foreign-owned enterprises accounted for more than 70%, equity joint ventures occupied nearly 20%, while contractual joint ventures took a small proportion with more than 2% in 2012 and less than 1.5% in 2011.

Table 3: Utilization of FDI in China by Form, 2011-2012. (USD 100 million)

| Form                                       | 2011                        |           | 2012                        |           |
|--|-----------------------------|-----------|-----------------------------|-----------|
|  | Amount of Actually Used FDI | Share (%) | Amount of Actually Used FDI | Share (%) |
| Wholly Foreign-owned Enterprise            | 928.39                      | 80.32     | 877.02                      | 78.8      |
| Equity Joint Venture                       | 214.15                      | 18.19     | 217.06                      | 19.16     |
| Contractual Joint Venture                  | 17.57                       | 1.49      | 23.08                       | 2.04      |
| Total Amount of Actually Used FDI in China | 1160.11                     | 100       | 1117.16                     | 100       |

Source: Department of Trade and External Economic Relations Statistics, China National Bureau of Statistics, *China Trade and External Economic Statistical Yearbook*, China Statistics Press, Beijing, 2012.

## 2.4 Utilization of FDI by Industry

Table 4 stands for the sector distribution of FDI in China in 2011. From this table, only almost 1.8% of FDI in China was used in primary industry, while 48% of FDI was applied to secondary industry (wherein, almost 45% of FDI was used for manufacturing sector) and over 50% of FDI was invested in tertiary industry (in which real estate industry used more than 23% of FDI).

Table 5 shows the industrial distribution of FDI in China within a decade. The proportion of FDI in primary industry was very small, only hitting the highest 2.4% in 2001. More than 75% of FDI was invested in secondary industry in 2005. Tertiary industry used over 50% of FDI in 2011. Also, it can be seen that the proportion of used FDI in secondary industry in China declined year after year during a decade, while the proportion in tertiary industry in China increased year by year.

Table 4: Utilization of FDI in China by Sector, 2011. (USD 10 000)

| Sector   | Actually Used FDI | Share (%) |
|--|-------------------|-----------|
| Total  | 11601100          | 100       |
| Agriculture, Forestry, Animal Husbandry and Fishing                | 200888            | 1.73      |
| Mining   | 61279             | 0.52      |
| Manufacturing  | 5210054           | 44.91     |
| Production and Distribution of Electricity, Gas and Water          | 211843            | 1.82      |
| Construction   | 91694             | 0.79      |
| Transport, Storage and Post  | 319079            | 2.75      |
| Information Transmission,<br>Computer Services and Software        | 269918            | 2.32      |
| Wholesale and Retail Trade   | 842455            | 7.26      |
| Hotel and Restaurants  | 84289             | 0.72      |
| Financial Intermediation   | 190970            | 1.64      |
| Real Estate  | 2688152           | 23.17     |
| Leasing and Business Services                                      | 838247            | 7.22      |
| Scientific Research, Technical Service and Geologic Prospecting    | 245781            | 2.11      |
| Management of Water Conservancy, Environment and Public Facilities | 86427             | 0.74      |
| Services to Households and Other Services                          | 188357            | 1.62      |
| Education  | 395               | 0.0034    |
| Health, Social Security and Social Welfare                         | 7751              | 0.06      |
| Culture, Sports and Entertainment                                  | 63455             | 0.54      |
| Public Management and Social Organizations                         | 66                | 0.00056   |
| Total  | 11601100          | 100       |

Source: Department of Trade and External Economic Relations Statistics, China National Bureau of Statistics, *China Trade and External Economic Statistical Yearbook*, China Statistics Press, Beijing, 2012.

Table 5: Utilization of FDI in China by Industry, 2001-2011.

| Year | Actually Used FDI             |                                 |                                |
|------|-------------------------------|---------------------------------|--------------------------------|
|      | Share in Primary Industry (%) | Share in Secondary Industry (%) | Share in Tertiary Industry (%) |
| 2001 | 2.40                          | 73.70                           | 23.90                          |
| 2002 | 1.90                          | 74.60                           | 23.50                          |
| 2003 | 2.00                          | 73.50                           | 24.50                          |
| 2004 | 1.90                          | 73.20                           | 24.90                          |
| 2005 | 1.80                          | 75.80                           | 22.40                          |
| 2006 | 1.00                          | 61.70                           | 37.30                          |
| 2007 | 0.80                          | 61.20                           | 38.00                          |
| 2008 | 1.20                          | 57.30                           | 41.50                          |
| 2009 | 1.59                          | 55.62                           | 42.79                          |
| 2010 | 1.81                          | 50.94                           | 47.25                          |
| 2011 | 1.74                          | 48.05                           | 50.21                          |

Source: Department of Trade and External Economic Relations Statistics, China National Bureau of Statistics, *China Trade and External Economic Statistical Yearbook*, China Statistics Press, Beijing, 2012.

## 2.5 Imports and Exports of Foreign-funded Enterprises in China

Foreign-funded enterprises provide products and services for both of the domestic market of China and the international market. Like domestic enterprises of China, foreign-funded enterprises are also engaged in import and export of China. Since the reform and opening up policy was adopted, foreign-funded enterprises have exerted a certain impact on import and export of China. Table 6 demonstrates imports and exports of foreign-funded enterprises in China since 1980. The import and export value of foreign-funded enterprises climbed year by year. Their contribution to China's total import and export value increased from 0.11% in 1980 to 58.86% in 2006. However, the contribution declined from 2006 to 2011. The proportion of the export value of foreign-funded enterprises in China's total export value rose to 58.3% in 2005 from 0.05% in 1980, and then dropped to 52.43% in 2011. The proportion of the import value of foreign-funded enterprises in China's total import value ascended from 0.17% in 1980 to 59.7% in 2006, and then fell to 49.59% in 2011.

Table 6: Imports and Exports of Foreign-funded Enterprises in China, 1980-2012.  
(USD10,000)

| Year | Value of Imports and Exports | Share of China Imports and Exports (%) | Value of Exports | Share of China Exports (%) | Value of Imports | Share of China Imports (%) |
|------|------------------------------|--|------------------|----------------------------|------------------|----------------------------|
| 1980 | 4265                         | 0.11                                   | 824              | 0.05                       | 3441             | 0.17                       |
| 1981 | 14322                        | 0.33                                   | 3235             | 0.15                       | 11087            | 0.50                       |
| 1982 | 32929                        | 0.79                                   | 5287             | 0.24                       | 27642            | 1.43                       |
| 1983 | 61837                        | 1.42                                   | 33036            | 1.49                       | 28801            | 1.35                       |
| 1984 | 46815                        | 0.87                                   | 6894             | 0.26                       | 39921            | 1.46                       |
| 1985 | 236080                       | 3.39                                   | 29670            | 1.08                       | 206410           | 4.89                       |
| 1986 | 301234                       | 4.08                                   | 58203            | 1.88                       | 243031           | 5.66                       |
| 1987 | 433027                       | 5.24                                   | 120809           | 3.06                       | 312218           | 7.23                       |
| 1988 | 820313                       | 7.98                                   | 245642           | 5.17                       | 574671           | 10.40                      |
| 1989 | 1370937                      | 12.28                                  | 491320           | 9.35                       | 879617           | 14.87                      |
| 1990 | 2012012                      | 17.43                                  | 781379           | 12.58                      | 1230633          | 23.07                      |
| 1991 | 2895425                      | 21.34                                  | 1204725          | 16.75                      | 1690700          | 26.50                      |
| 1992 | 4372689                      | 26.42                                  | 1735619          | 20.43                      | 2637070          | 32.72                      |
| 1993 | 6707037                      | 34.27                                  | 2523717          | 27.51                      | 4183320          | 40.24                      |
| 1994 | 8764715                      | 37.04                                  | 3471297          | 28.69                      | 5293418          | 45.79                      |
| 1995 | 10981858                     | 39.10                                  | 4687587          | 31.51                      | 6294271          | 47.65                      |
| 1996 | 13711016                     | 47.30                                  | 6150636          | 40.72                      | 7560380          | 54.46                      |
| 1997 | 15262121                     | 46.94                                  | 7489986          | 40.98                      | 7772135          | 54.59                      |
| 1998 | 15767938                     | 48.67                                  | 8096189          | 44.07                      | 7671749          | 54.70                      |
| 1999 | 17451127                     | 48.39                                  | 8862766          | 45.47                      | 8588361          | 51.83                      |
| 2000 | 23671390                     | 49.91                                  | 11944121         | 47.93                      | 11727269         | 52.10                      |
| 2001 | 25906106                     | 50.83                                  | 13321810         | 50.06                      | 12584296         | 51.67                      |
| 2002 | 33023948                     | 53.20                                  | 16998509         | 52.21                      | 16025439         | 54.29                      |
| 2003 | 47216996                     | 55.48                                  | 24030598         | 54.84                      | 23186398         | 56.17                      |
| 2004 | 66304033                     | 57.43                                  | 33859184         | 57.07                      | 32444849         | 57.81                      |
| 2005 | 83163864                     | 58.49                                  | 44418252         | 58.30                      | 38745612         | 58.71                      |
| 2006 | 103625950                    | 58.86                                  | 56377905         | 58.18                      | 47248045         | 59.70                      |
| 2007 | 125516381                    | 57.67                                  | 69537077         | 56.98                      | 55979304         | 58.55                      |
| 2008 | 140992118                    | 55.01                                  | 79049270         | 55.25                      | 61942848         | 54.69                      |
| 2009 | 121747895                    | 55.15                                  | 67207409         | 55.93                      | 54540486         | 54.22                      |
| 2010 | 161708545                    | 54.37                                  | 86222882         | 54.65                      | 75485663         | 54.06                      |
| 2011 | 185989874                    | 51.07                                  | 99522704         | 52.43                      | 86467170         | 49.59                      |

Source: Department of Trade and External Economic Relations Statistics, China National Bureau of Statistics, *China Trade and External Economic Statistical Yearbook*, China Statistics Press, Beijing, 2012.

### **3 Recommended Policies for Improving Using FDI in China**

#### **3.1 Promoting Coordinated Development of Using FDI in Domestic Regions of China**

China government should vigorously encourage eastern China to speed up innovation development, industrial transformation and upgrading, boost modern service industry, R & D and high-end manufacturing sectors to attract more FDI.

Central and western regions of China should exert their advantages, revise and implement Catalogue of Advantageous Industries for Foreign Investment in Central and Western Regions to advocate foreign investors to invest in labor-intensive industries which meet environmental requirements, as well as push forward the upgrading and transformation of traditional industries. The construction of industrial transfer demonstration zones in central and western regions of China should be conducted in an orderly manner. The cooperation between eastern, central and western development zones should be strengthened.

The approval and registration procedures for the transfer of foreign-invested enterprises from eastern regions to central and western regions should be simplified. The barriers to the inter-regional flow of foreign investment should be cut down and the process of the industrial transfer should be prompted.

Chinese government need speed up the construction of border and cross-border economic cooperation zones, support the cooperation between National Economic & Technological Development Zones and Border Economic Cooperation Zones, and support the industrial parks in Tibet and Xinjiang should be backed up solidly.

#### **3.2 Making Full Use of FDI to Optimize Industrial Structure of China**

In accordance with the global trend of industrial development and the goal of optimizing the industrial structure in China, Chinese government need encourage foreign investors to invest in modern agriculture, high-tech, advanced manufacturing, energy saving and environmental protection, new energy, modern services and other fields. The effects of China's supporting policies for strategic emerging industries should be realized. The FDI in high-tech and high-end sectors should be introduced. China need not only continue to inspire multinational companies to set up regional headquarters, financial centers, centers of shared services, operation centers and other functional agencies in the country, but also advocate them to found Asia-Pacific headquarters and global business headquarters herein to reinforce FDI management. Chinese government need guide foreign investors to develop new formats of production services based on Cloud Computing, Logistics Alliance Network and other emerging technologies, and further open the services in health care and create jobs and stimulate the domestic consumption by FDI and take advantage of FDI to develop vocational skills training and improve the quality of labor force. "Arrangement for Closer Economic and Trade Relations between Mainland China and Hong Kong & Macao and Cross-Strait Economic Cooperation Framework Agreement" should function as the breakthroughs of opening up service industries among Hong Kong, Macao and Mainland China. Chinese government need further push forward the construction of Shenzhen Qianhai Modern Service Industry Demonstration Zone, Zhuhai Hengqin New Zone, Guangzhou Nansha New Zone, and Fujian Pingtan Comprehensive Experimental Zone.



### **3.3 Energetically Ameliorating Domestic Investment Environment of China**

Chinese government should intensify water conservancy construction, meliorate energy supply environments, improve the efficiency of resources utilization, make more efforts to introduce foreign investment in new energy production. China should deepen the reform of the economic system, and advocate the fair competition between foreign and domestic enterprises in order to improve the overall quality of utilization of foreign investment. China should regulate and boost the development of development zones, and accelerate the construction of border cooperative zones and improve the foreign exchange management of foreign-invested enterprises.

Due to the new situation and features of FDI, Chinese government should analyze international investment rules, common practice and experience so as to further improve foreign investment laws, regulations and policies as well as deepen the foreign investment management system. China should insist on the administration according to the law, implement Foreign Investment Online Business System as well as formatted examination and approval process, to heighten the efficiency and transparency of governmental administration. Chinese government need emphasize the awareness of service, pay close attention to the changes in operating environments of foreign-invested enterprises, consolidate the corporation complaint mechanism, and help enterprises solve operating difficulties in China. Furthermore, China should protect the legal rights of Chinese and overseas investors in accordance with the law, and strengthen intellectual property right protection and law enforcement, and create a suitable atmosphere for technology introduction and R & D innovation.

### **3.4 Encouraging Foreign Investors to Participate in China's Innovation-driven Development Strategy**

Chinese government need make comprehensive and objective evaluation on the experience of using foreign capital to advance innovation under the conditions of opening up, publicize national support policies for scientific and technological innovation. On the basis of the national innovation-driven strategy, China should consolidate the policies for the development of foreign-funded R & D centers and prompt foreign-invested enterprises to introduce advanced technology and high-end talents, countenance them to collaborate with Chinese research institutions and enterprises to develop and promote technologies jointly and urge foreign investors to invest in scientific and technological intermediaries, innovation incubators and other public scientific & technological service platforms. Besides, Chinese government should support senior personnel and top talents to gather in innovation demonstration zones, simplify examination and approval procedures to facilitate their development. Local competent commercial administrations should cooperate with governmental departments actively and strive to create sound working and living environments for introduced talents.

#### **5. Strengthening FDI Management System of China**

China should perfect National Security Review System on merger and acquisition of foreign investors, make local competent commercial administrations understand their responsibilities and improve Monitoring System on merger and acquisition Projects of Foreign Investors. Chinese government need carry out special investigation on FDI, evaluate its role in China's national economy and social development comprehensively, and intensify the statistical work on FDI, guarantee authority and preciseness of statistics,

and prevent false information and blind comparisons. Chinese government should perfect Foreign Investment Management Information System, and build up early warning, approval monitoring and operational monitoring systems. China should strengthen Foreign Investment Scientific Evaluation System. Some effect assessment indexes should be added, such as employment, technology utilization, research and development and energy consumption. According to the demand of Chinese enterprises for the internationalized operation, China should modify the procedures for merger and acquisition of foreign investors.

#### 4 Conclusion

By scale, FDI which is utilized by China actually has gone up year by year. The proportion of FDI in GDP of China showed an upward trend before 1990s, while it has descended after 1990s. Compared with other major countries in the world, the share of FDI in GDP in China is smaller relatively.

By source, about 60% of FDI in China has been from Hong Kong, and nearly 30% of FDI has been from Japan, South Korea, Britain, USA and Taiwan in the past two years.

By region, the FDI in China mainly flows to East and South China, such as Jiangsu, Guangdong, Shanghai and Zhejiang provinces where more than 50% of the FDI in China is used, while North and West China absorbs a small proportion of FDI relatively.

By form, China mainly utilizes FDI by the form of foreign-owned enterprises. Foreign-owned enterprises have accounted for more than 70% of FDI, equity joint ventures have occupied nearly 20%, while contractual joint ventures have taken a small proportion of FDI in recent two years.

By industry, FDI mainly concentrates on secondary and tertiary industries (especially manufacturing and real estate sectors). In the early 21st century, 70% of FDI was invested in secondary industry, while less than 24% of FDI in tertiary industry. However, in the recent ten years, a declining proportion of FDI has been used in secondary industry, a rising proportion has been applied to tertiary industry. In 2011, more than 50% of FDI was utilized in tertiary industry instead of secondary industry.

By imports and exports, the import and export value of foreign-funded enterprises in China has climbed year by year since the reform and opening up policy was implemented, contributing more and more to the total import and export value of China. The contribution of import and export of foreign-funded enterprises hit the peak nearly 60% of China in 2006. In spite of a decline after 2006, the contribution has still remained at about 50%.

For better use of FDI, China should balance sources of FDI, coordinate the development of regions where FDI used, optimize the industrial structure through FDI, greatly improve the domestic investment environments, encourage foreign investors to participate in China's innovation-driven development strategy, promote the introduction of foreign capital, technologies and talents, strengthen FDI management, as well as perfect the foreign investment scientific evaluation system.

**ACKNOWLEDGEMENTS:** This research is supported by National Social Science Foundation of China (11BMZ043), the Fundamental Research Funds for the Central Universities of China (ZJ12RWZD010, ZJ12RWQN018) and Sun Bird research project of students of Dalian Nationalities University.

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