

A STUDY ON THE MECHANISM AND CHARACTER OF THE INDUSTRIAL AND SPATIAL TRANSFERENCE OF FDI IN CHINA

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ABSTRACT: In the last two decades, China has become one of the areas that have the greatest potential in industrial production, thus it has ranked second only to USA in the flow of international capital. By the end of 1998, the real value of FDI (Foreign Direct Investment) in China has utilized has added up to \$268. 1 billion. The big flow of FDI has not only promoted the development of social economy, but also worsened the existing regional difference by choosing spatial location. Under this circumstance, China's economy faces new restrictions and opportunities while adjusting its regional structure and industrial structure. So it is more and more important for us how to seize the opportunity, to seek the regularity of FDI in choosing location from the aspect of space, to set up relevant strategy to direct FDI at inland regions (areas deficient of capital), and to make appropriate policies, esp. the industrial and regional policies so as for FDI to exert positive influence and avoid negative influence on China and its regional economy and society. Based on the latest domestic and overseas materials and data of the FDI in China, combining with the investigation of the enterprises, this paper has systematically revealed the progress of development of the FDI in China and the developing conditions of the main enterprises directly invested by foreign capital since the reform and opening-up in China. The characters of FDI such as spatial concentration, transference as time goes on, change of the technical content and up-gradation of industrial structure and their forming mechanism have been studied. Then the basic conclusions have been made as follows. Firstly, FDI has been highly concentrated in space. But as time goes by, it has been transferring from coastal regions to inland ones, from big cities to their surrounding districts, and the degree of concentration is decreasing. Secondly, the technical content of the invested projects has gradually increased and the up-gradation of the industrial structure is obvious. Thirdly, the regional choice of the FDI in China is mainly affected by labor and other productive factors. The relative change of the cost of productive factors in different regions since the reform and opening-up is one of the main factors that have caused the spatial transference of the FDI in China. Fourthly, as people's income increases and the accumulation of the capacity of the technique and labor advances, FDI whose aim is to get more market has increased and tended to transfer from coastal regions to inland ones. Fifthly, the changes of the industrial structure of the main areas and countries who have directly invested in China and the changes of inter-regional industries and regional policies in China are also the important factors that affect the industries directly invested by foreign capital and their spatial transference.

KEY WORDS: FDI in China; industrial transference; spatial transference; character; mechanism

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1 BACKGROUND OF STUDY

China has begun to take part in the great practice of international competition and opening-up in the last 1/5 time of 20th century. In the last two decades, China has become one of the areas that have the greatest potential in industrial production, thus it has ranked second only to USA in the flow of international capital. By the end of 1998, the real value of FDI China has utilized has added up to \$268.1 billion. China has won world attention as a huge market for foreign investment. The status of foreign capital has strengthened, and a considerable part of new increased fixed capital investment comes from foreign capital. The economic growth of all parts of China has an evident interrelationship with the growth of foreign capital. It will be an objective requirement for China to absorb foreign direct investment in order to solve the diffidence of capital to develop China economy and strengthen comprehensive country power for a considerable long period.

Great changes have taken place in many ways in the economic development process of China in the last 20 years. As to the enterprises that have the foreign capital as main part, the regional advantages of China (mainly the pulling force of investment demand) are changing greatly. First, the cost of labor increases each year. Second, the preferential policies are being abolished by stages. Third, with the pressure of upgrading of the industrial structure, the restriction effect of industrial and regional policy on the entering of foreign enterprises is increasing. As far as our absorbing foreign capital is concerned, on one hand, because of different foreign capital subjects and different types of industry, there are not only respective and special behavior organization way and mechanism of operation, but there are also different motives of investment and principles of locational choice. Especially, with the further development of investment-subject enterprises, they have developed from single work or factory to multi-layer of organization structure. On the other hand, with its huge inflow, FDI has promoted the development of our economy, but at the same time, due to their difference in locational choice, it has worsened the existing regional difference of China. Under this circumstance, our economy faces

new restrictions and opportunities while adjusting its regional structure and industrial structure. So it is more and more important for us how to seize the opportunity, to seek the regularity of FDI in choosing location from the aspect of space, to set up relevant strategy to direct FDI at inland regions (areas deficient of capital), and to make appropriate policies, esp. the industrial and regional policies so as for FDI to exert positive influence and avoid negative influence on China and its regional economy and society.

The study of FDI has originated in Europe and North America with the development of transnational cooperation since the 1960s. There have emerged lots of theories of the international capital inflow and transnational cooperation from different perspectives in expounding the forming of international capital and transnational cooperation. Among these theories, mainly are the theory of international capital flow by MACDOUGAL G D A(1960), the theory of the product cycle by VERNON R(1966), the theory of monopoly advantage by HYMER S H(1979), the theory of international division within enterprises by HELLEINER G K(1973), the theory of international synthetic body of production (The eclectic theory) by DUNNING J H (1979), the theory of internalization of international production, and the theory of the expanding of marginal industry by KIYOSHI kojima(1985) and so on.

2 THE EVOLVEMENT OF SPATIAL PATTERN OF THE VOLUME OF FDI

FDI, no matter whether that centered on transnational cooperation by Europe and North America or that centered on small and medium-sized enterprises by Japan and East Asia, has all reflected spatial pattern to some extent (that is, the spatial projection of investment behavior). Spatial pattern, as the result of spatial choice by investors, not only reflects the demand for spatial factors by the subject of investment, but also reflects the characteristics of the space (region) itself and the difference of the conditions of the combination of factors. The preference of investors depends on the conditions of spatial factors that can help achieve the goals of investment. Though investors demand different

spatial factors and their combinations as a result of the different characteristics of investors, how much one region can utilize foreign direct investment can reflect to a great extent the conditions of spatial factors of that region (that is investment environment). If we look far and wide on the FDI to China in the last two decades, they have formed the following spatial structure and the characteristics of evolvement of the spatial structure.

2.1 On the Whole, the Proportion of Eastern Areas Remains at a High Level, the Proportion of Middle Areas Increases Slowly, but the Proportion of Western Areas Remains at a Low Level

At the beginning of our reform and opening up, the FDI to China nearly all concentrated in eastern areas, in the period of 1981–1985, eastern areas has 96.8%. Since 1986, FDI has begun to transfer to all over China, but the proportion of eastern areas remains at a high level, basically remains between 85%–90%. Before 1989, the proportion of middle areas was nearly the same as that of western areas, about 5%. But after 1990, the proportion of middle areas began to increase to around 8%–10%, compared to around 4% of that of western areas, which decreased a little (Fig. 1).

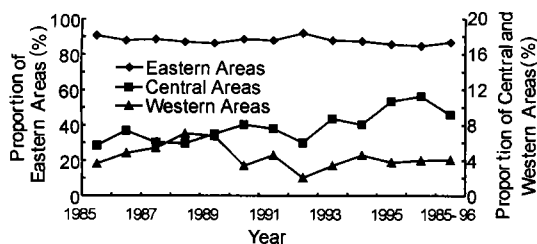


Fig. 1 Transference of the foreign direct investment in east, center and west areas

^① The calculation formula of Geographical Concentration Index is:

$$G = 100 * \sqrt{\sum_{i=1}^n \left(\frac{T_i}{T}\right)^2} \quad (i = 1, 2, 3, \dots, n)$$

In the formula: T_i is the volume of direct investment to the n th province (city, district); T is the total volume of direct investment; n is the number of the provinces (cities, districts), excluding Taiwan, Hong Kong SAR government and the new set-up municipality direct under the central government, Chongqing City (its data is included in Sichuan Province), so totally there are 30 provinces (cities, districts).

2.2 There Is Obvious Regional Concentration, but the Degree of Concentration Decreases Gradually

In region, FDI to China obviously concentrated in some areas. During the period of 1986–1996, the first 6 provinces or cities that had the most FDI in total were in turn: Guangdong Jiangsu, Fujian, Shanghai, Shandong, and Liaoning, occupying 70.96%. During the period of 1985–1996, FDI to China mainly concentrated in Guangdong, Jiangsu, Fujian, Shanghai, Shandong, Liaoning, and so on. But during the period of 1985–1991 and the period of 1992–1996, the proportion of Guangdong reduced obviously, but those of Jiangsu, Shandong and Zhejiang increased obviously. During the period of 1981–1985, the first 6 provinces and cities, that is Guangdong, Fujian, Shanghai, Tianjin, Hainan, Liaoning, occupied 94.07%. But during of the period of 1986–1991, the first 6 provinces and cities, that is Guangdong, Beijing, Fujian, Shanghai, Liaoning and Jiangsu, occupied 76.69%. During of the period of 1992–1996, the first 6 provinces and cities, namely Guangdong, Jiangsu, Fujian, Shanghai, Shandong, Liaoning, occupied 71.44%. The proportion of the first place, Guangdong, reduced successively from 75.22% to 42.84% and then to 28.41%. In order to reflect the change of orientation of the whole body of invest, this paper uses the Geographical Concentration Index (G)^① of the investment areas to measure the degree of change of the orientation.

The more the orientation of investment is concentrated, the more the value of G approximates 100; the more the orientation of investment is diversified, the less the value of G . During the period of 1981–1985, the value of G is 76. During the period of 1986–1991, the value of G is 36. The change of the value of

G from 1985 to 1997 assumed the tendency of decrease (Fig. 2). China had a big value of G before 1992, but after 1992, the value of G got smaller. Since 1995, China has taken upon the omnibearing opening-up policies so that most parts of China have become the possible areas that FDI invests. During the period of 1981 – 1985, the provinces and municipalities directly under the central government that had the proportion of FDI to the whole of FDI surpassed 1% were only six, namely Tianjin, Liaoning, Shanghai, Fujian, Guangdong, Hainan. During the period of 1986 – 1991, those spread to 16, and during the period of 1992 – 1996, those spread to 18.

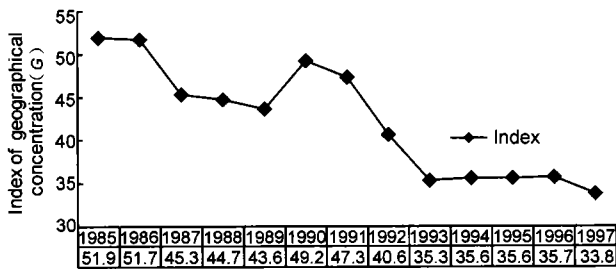


Fig. 2 Yearly index movement of the geographical concentration of foreign investment

2.3 FDI Has Transferred from Coastal Regions to Inland Ones

Since 1979, the pieces and volume of FDI have increased year by year and transferred to inland regions gradually. For the year in which the provinces and municipality directly under the central government that had the amount of the projects of using FDI added up to 100, Guangdong was 1980, Fujian and Hainan were 1984, and Guangxi was 1985. That is, before the 1980s, the absorbing of FDI to China began in Southeastern China. Then along with the regions of opening up spread from Southeastern China to the whole eastern coastal regions of China, in 1988, the amount of the projects of the provinces and municipalities using FDI in eastern coastal regions of China, except Tianjin and Hebei, all added up to 100. And those of Tianjin and Hebei got or surpassed 100 in 1990. By the end of 1990, those of all the provinces and municipalities us-

ing FDI in eastern coastal regions of China surpassed 100, thus achieving the first step of the transferring in regions of FDI, that is from Southeastern China to all the eastern coastal regions of China. After 1991, FDI set up a new upsurge. In 1991, all the provinces, except Shanxi and Inner Mongolia Autonomous Region, in middle areas of China signed more than 100 pieces of projects to import FDI. Sichuan Province of western areas firstly got to 100 in 1991. In 1992, Shanxi and Inner Mongolia Autonomous Region signed more than 100 pieces, and those main provinces such as Guizhou, Yunnan, Shanxi, Ningxia got to 100 pieces. In 1993, Xinjiang got to 100 pieces. By present, all the provinces and municipalities except Tibet, Gansu, Qinghai got to 100 pieces. The upsurge of FDI in 1991 – 1992 achieved the second step of the transferring in regions of FDI, that is from coastal regions of China to inland ones.

2.4 FDI Has Transferred from Big Cities to Their Surrounding Areas

In order to expound this point, calculating by using the Geographical Concentration Index (G) of the invested areas, we got the G values of 1987 and 1995 of those provinces that import the most FDI, namely Guangdong, Fujian, Jiangsu, Zhejiang, Shandong, Liaoning. Except Jiangsu, the G value of all the other provinces decreased to some extent. Especially the G value of Guangdong and Liaoning decreased greatly, which demonstrated that the orientation of FDI in Guangdong and Liaoning turned from concentration to relatively equilibrium, that is FDI transferred from respective city to other cities (Fig. 3). In 1987, the FDI imported by Shenzhen occupied 48.4% of those imported by Guangdong, but reduced to 12.9% by 1995. In 1987, the FDI imported by Dalian occupied 77.2% of those imported by Liaoning, and reduced to 50.4% by 1995. In 1987, the FDI imported by Qingdao occupied 40.7% of those imported by Shandong, and reduced to 26.9% by 1995. The main reason that the G value of Jiangsu rose is that the industrial park of Suzhou City of Jiangsu imported large amount of FDI, thus making the FDI imported by Suzhou occupy

27.4% of those imported by Jiangsu in 1987, and increase to 49.0% in 1995.

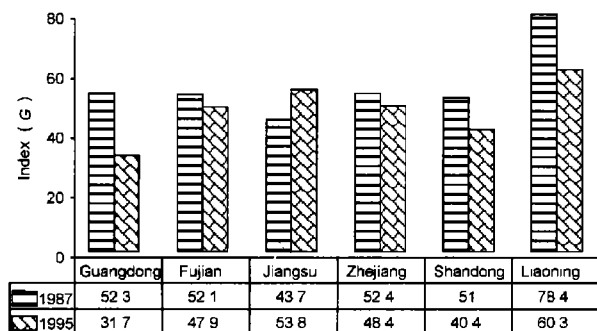


Fig. 3 Indexes of the geographical concentration of foreign investment in the cities of some major provinces

3 THE CHARACTERISTICS OF THE SPATIAL TRANSFERENCE OF THE STRUCTURE OF FDI

Through waiting-and-seeing, groping and practice in the last two decades, We have got considerable recognition of the investment environment of the different regions of China. With the changes of investment goals, the deepening of the recognition of the spatial factors and their combination conditions of the different regions of China for achieving FDI goals, and the expansion of the scale and scope of investment, FDI spread and transferred in space. FDI has experienced from starting to development, along with the pluralization of their investment market and the evolvement of their spatial structure. The choice of FDI in space has evidently demonstrated the tendency to north and east. The southern and eastern areas of China have begun to absorb FDI selectively. Labor-intensive FDI have demonstrated the trend of transferring to inland areas, that is, they move forward in depth. The transference of FDI in space has demonstrated the following characteristics.

3.1 The Technology Content of FDI Increases Gradually

We incorporate the FDI by manufacture industry into 4 main types according to labor factors, capital factors and technology content. The first type is L-L type industry (labor-intensive and low-tech type), including

food, fiber, timbre, furniture, rubber, leather, and metal products. The second type is L-H type industry (labor-intensive and high-tech type), including publishing, printing, machinery, electrical appliance, precision machinery, transportation machinery and other manufacture industry. The third type is K-L type industry (capital-intensive and low-tech type), including paper pulp, paper, iron and steel industry, kiln industry and earth and stone. The fourth type is K-H type industry (capital-intensive and high-tech type), including non-iron metals, chemistry, petroleum, coal, automobile and fitting. According to this delimitation, the status of the types of the enterprises of Japan invested in China before 1991 and during the period 1992 - 1997 is showed in Table1. Before 1991, the manufacture enterprises of Japan invested in China mainly concentrated in industry of L-L type, which occupied 42.8% , secondly are L-H type, occupying 37.5% , those two types (labor-intensive) occupied 80.3% in total. So we can say most of the FDI of Japan to China concentrated labor-intensive industry. K-H occupied the third place, which is 16.4% . The last is K-L type, which occupied 3.3% . The forming of this structure before 1991 can be explained by the following reasons. First, FDI of Japan, especially the FDI of small and medium-sized enterprises sought the main goal of low cost of labor. The first industry that Japan lost comparative advantage while China gained comparative advantage is labor-intensive industry. Second, low - technology labor-intensive industry (L-L type), firstly became the comparative disadvantage industry in Japan and the comparative advantage industry in China. Third, the development of capital-intensive industry needs abundant funds. The owners of that industry mainly are big enterprise group. Because of their high-technology content, they have title advantage and internalized advantage to some extent. Their investment behavior approximates the FDI by the transnational cooperation of Europe and North America. So the proportion of the capital-intensive and high-technology industry is evidently higher than that of capital-intensive and low-technology industry. In this phrase, capital-intensive industry lost comparative advantage later than labor-intensive industry in Japan, and it gained

Table 1 Technical content and its change of Japanese direct investment in manufacturing industry in China

	Total			Before 1991			1992 - 1997		
	L-Low-tech	H-High-tech	Total	L-Low-tech	H-High-tech	Total	L-Low-tech	H-High-tech	Total
L-Labor-intensive	485	583	1068	115	101	216	370	482	852
Component(%)	32.5	39.0	71.5	42.8	37.5	80.3	30.2	39.3	69.6
K-Capital-intensive	96	330	426	9	44	53	87	286	373
Component(%)	6.4	22.1	28.5	3.3	16.4	19.7	7.1	23.3	30.4
Total	581	913	1494	124	145	269	457	768	1225
Component(%)	38.9	61.1	100	46.1	53.9	100	37.3	62.7	100

Sources: *East-ocean Economic* (weekly), A General Survey of the Import of Overseas Enterprises (Sections of different countries).

comparative advantage later than labor-intensive industry in China. So before 1991, the total proportion of K-L type and K-H type occupied lower than 1/5 of the total.

During the period of 1992 - 1997, those changes in the structure of new manufacture industry investment added took place as follows. First, the proportion of labor-intensive industry reduced by 10.7%, which means that the technology content of the manufacture industry investment increased. Second, among the labor-intensive industry, the proportion of high-technology L-H type increased from 37.5% to 39.3%. On the contrary, the type of L-L decreased from 42.8% to 30.2%, thus making the proportion of the L-H type higher than the type of L-L by 9.1%. Third, the K-L type and K-H type of capital-intensive industry increased to some extent, totally occupying 30.4%, that is to say, great changes have taken place in the condition of manufacture industry investment by Japan concentrating in labor-intensive industry. Fourth, no matter whether labor-intensive type or capital-intensive type, proportion of high technology increased considerably, from 53.9% before 1991 to 62.7%, further explaining that the technology content of the manufacture industry investment by Japan increased. The changes of the technology content of the new added FDI can be explained in the following ways. First, the high levelization of industrial structure of Japan has achieved great progress. Labor-intensive industry occupied only very little proportion. They began to change its former structure of direct investment in Asia, mainly focusing on capital-intensive and technology-intensive, naturally reflecting on the FDI to China. Second, the investment environment of China improved to some extent, espe-

cially its technology level has risen greatly recently. Capital-intensive industry as well as labor-intensive industry have become obvious comparative advantage industry from potential comparative advantage. Third, with the increase of the GNP per capita of China, especially the increase of wage level of the big cities, it is difficult to win in competition only by cutting down the cost of labor instead of raising the technology content of the projects. So China encourages, in policies, to develop the capital-intensive industry with high technology content and limits the investment of foreign capital in labor-intensive industry in some regions.

The gradual rise of the technology content of FDI embodies in space that labor-intensive industry directly invests in China first. For example, clothing, groceries, and other production of materials received, they first invested in Shenzhen, Guangzhou, Zhuhai, Tianjin, Shanghai and so on, and further spread to their surrounding areas and Fujian, Guangxi, Shandong, Liaoning, Tianjin and Jiangsu and so on. Then they spread to Zhejiang, Sichuan, Hunan and so on. By now, they have spread to Hubei, Anhui, Jiangxi, Henan, Jilin, Heilongjiang, Shanxi, and all the other opening-up areas. Compared to labor-intensive industry, capital-intensive industry lags several years behind. They first directly invested in Guangzhou, Shenzhen, Shanghai, Beijing, Tianjin, and other big cities. As time goes by, they spread to Fuzhou, Dalian, Shenyang, Changchun, Nanjing, Chongqing, Qingdao, Wuhan and so on. But the FDI of technology-intensive industry first began in such metropolis as Beijing and Shanghai, and further spread to Tianjin, Guangzhou, Shenzhen, Dalian, Shenyang, Changchun, Nanjing, Fuzhou, Chongqing and the like. But by present,

management and knowledge industry has only invested such few national economic and information-managing centers as Beijing, Shanghai and Guangzhou.

3.2 The Spatial Transference of FDI Display Evident Trend of Inlandization and High Levelization.

By comprehensively analyzing the materials and

cases of main provinces and municipalities direct under the central government absorbing FDI in recent years, we concluded the structural characteristics of the spatial transference of FDI in Fig. 4.

As far as one region is concerned, as time goes on, the technology content of its absorbing DI industry increases gradually, which means a process of transferring to high level. As time goes on, industry of the same

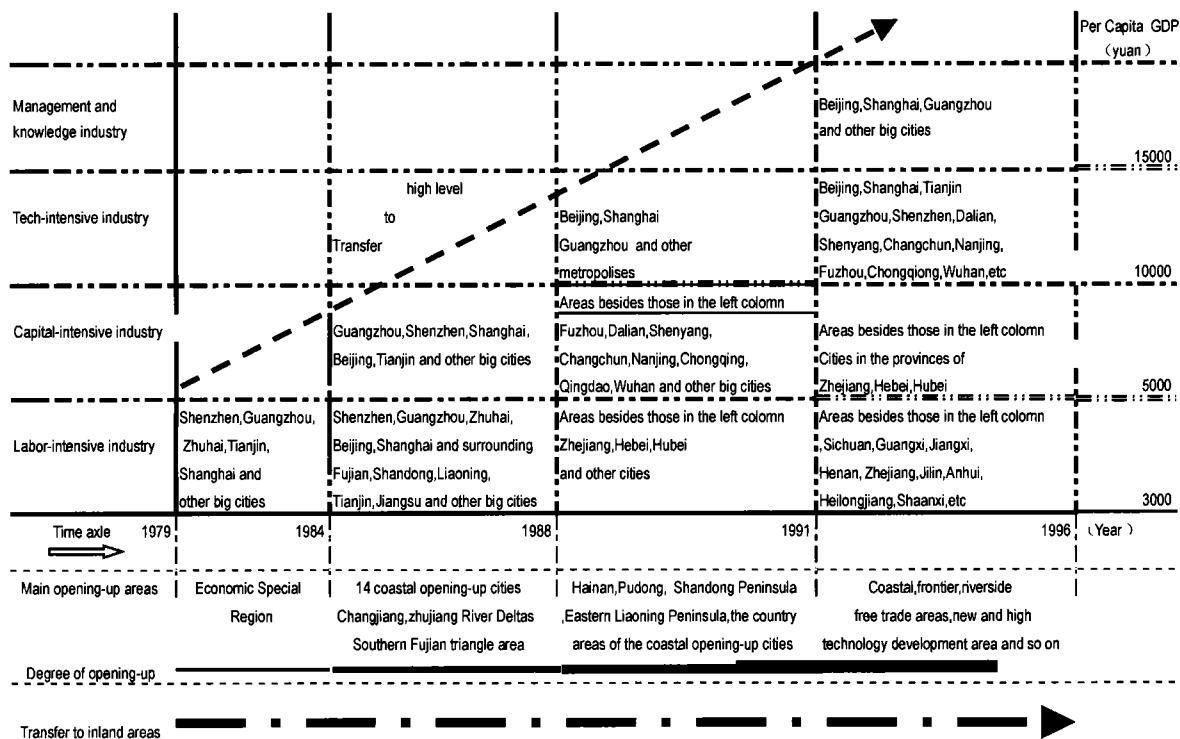


Fig. 4 Sketch map of the transference of the import of foreign capital in China in different years

type (technology content) gradually transfers from coastal regions to inland ones, which means a process of transferring to inland regions. Taking Japan Mitsubishi Electric Corp. as example of the former, the first firm in Shanghai in 1987 was the production, selling, installation, and maintenance of elevators, automatic staircase. But the second one in 1994 was the production and selling of transformers for industrial use and the development of applied software for controlling complete sets of equipment. In 1997, Japan set up firms to act as managing center by being engaging in the sales of semi-conductors and development of applied technology and the provision of kinds of technology support and

consultation. Taking Japan Sanyo Electric Co., Ltd. as example, by the end of 1996, the corporate firms of taking part in share a controlling share have added up to 25. During the period of 1983 – 1987, there are 7 firms, 1993 – 1996, there are 18. All the DI of Sanyo in the 1980s except the one set up in the Dongcheng district of Beijing in 1987, concentrated in Guangdong. Among them, 5 in Shenzhen (One moved to Dongguan later), 1 in Foshan. For DI in the 1990s, the investment location has spread widely, including Dalian, Liaoning Province (7), Zhujiang Delta of Guangdong Province(5), and other areas (Hefei, Shenyang, Suzhou(2), Beijing, and Tianjin). The content of in-

vestment further expanded, which was showed by the increase of products, industry and technology content. And they set up group, which is engaged in the comprehensive administration of their affiliated and related firms, and act as regional governing center in China. The aforesaid transforming to higher level and to inland regions has close relationship with the degree of the opening up spread from coastal regions to inland ones, and the economic development level which has risen greatly in the last two decades. At the same time, because of the geographical inertia and dual structure of economic development level, and the limitation on the transferring of labor among regions by the institution of census registration, those factors have made the different technology content industry exist in a specific area at the same time.

4 THE MECHANISM OF THE SPATIAL TRANSFERENCE OF FDI

As to different industry, the spatial transference of FDI largely depends on the difference of the cost of the factors to be acquired of different regions. As for those capitals that centered on reducing labor cost in Hong Kong and Macao, and those of other countries and regions in Asia, the spatial transference of FDI is mainly affected by the cost of labor. But capital-intensive industry paid more attention to the cost of acquiring land. As to the capitals driven by reducing labor cost, they transferred in space because of the difference of the wage level of different regions of China, and the difference of difficulty in gaining labor in relatively developed regions and relatively underdeveloped regions. In those big cities where foreign capital enterprises concentrate and which are relatively developed, though there are large numbers of "off-post" people, there also exists the problem that the supply of cheap labors gets more and more difficult. So as to those new added labor-intensive investments, since the 1990s, it has been universal for them to transfer to the regions with low cost of labors, to develop from concentrating in several cities to spreading to more cities, especially from those cities where existing FDI concentrated to its surrounding cities. Taking the example of the Japanese factory producing certain

electronic product in Dongkeng Town, Dongguan City, Guangdong Province, the reasons why it chose to invest in Dongguan instead of Shenzhen have the following four aspects. The first one is the cooperation with local government of Dongguan, taking the form of entrust processing. The local government provided land and workshop, while the firm provided machine, appliance and so on, thus avoiding the local risk resulting from investment exclusively with its own capital. The second one is the expectation that Dongguan has the same development prospectus as Shenzhen. The third one is the labor deficiency of Shenzhen. Besides, the spread of the institution two-day off for workers in Shenzhen made it infeasible from the cost. But there isn't the special limitation for entering Dongguan City, so labors can inflow freely. About 99% of the workers of the firms are from Sichuan and Hunan provinces. The fourth one is the further improvement of the infrastructure of Dongguan City. Power failure dropped from 1 - 2 times once a week to only once every two weeks. There is no problem with water supply and communication. The transportation of highway improved. It now takes less than 2 hours to drive from Dongkang town to the center of Shenzhen City instead of the former 3 - 4 hours. Moreover, the decision of investing in Dongguan also depended on the firm's production partners of Taiwan, who have provided such information as the managing conditions and other aspects of Dongguan City. Generally speaking, why the firm chose Dongguan firstly depended on the cost of labor and the guarantee degree of labors, secondly it is as a result of the improvement of the infrastructure of Dongguan City and the precise information about the candidate areas gained by the firms. Just because of the rapid development of Chinese economy, the improvement of the infrastructure of different regions and the making public of information and so on, the firms invested in China spread to different regions of China.

Some enterprises that center in decreasing cost instead of increasing income have adopted ways of disposing diversely and approximating consumers to the full in order to gain market share. As far as China is concerned, the income level increase yearly and the purchasing power of inland residents is increasing, thus

turning the potential consumer market into evident market. Those enterprises investing in China that expand sales in order to gain more income have begun to invest directly in the inland of China. As far as the parts of China are concerned, the factors condition is changing gradually, for example, big cities in coastal regions have higher level of income, more powerful technology, and better infrastructure conditions. So they have great pull force for those investment projects that have more technology content, esp. making those investments once not possessing production conditions possible. What's more, there are great differences among the regions of China, so to foreign investors, such factors as the fees to get land, preferential taxes and industrial parks and so on all have the effect of increasing income. Besides, spatial transference of FDI is because that there have emerged the increase of wage level, increase of production cost in the countries of foreign investors since the 1980s, so along with the adjustment of their industrial structure, labor-intensive industry first transferred out of a country or out of a region. Among the subjects of investment in China, Hong Kong, Macao, and such burgeoning industrialized countries and regions as Taiwan, Singapore, Korea and so on, began to transfer capital out of country or out of region in the late 1970s and early 1980s. As the main absorber, China mainland's characteristic of absorbing investment mainly focused on labor-intensive industry. Then in the late 1980s and the early 1990s, the aforesaid countries and regions successively began to transfer capital-intensive and technology intensive industry to other countries. And by the end of 1990s, with the investment in many areas of China by the firms of countries and regions especially by one firm, those projects that intend to manage and control the behavior of their administrating firms and to spur the investment of those firms have gained foothold in such metropolises as Beijing, Shanghai and Guangzhou and so on. The main firms that invested in China faced predicaments, that is firms (industry) began to lose competitive advantage, began to transfer capital to foreign countries and foreign regions. The manifested force is pushing force. The common effect of the pushing force and the pulling

force caused the spatial transference of FDI to China.

5 CONCLUSIONS

From the aforesaid analyses about the development process of FDI and the cases of the spreading of the main industry of FDI, we can get the characteristics of the spatial transference of FDI as: FDI concentrates, in space, in eastern coastal areas, and the proportion of middle areas increases gradually. The degree of regional concentration decreases with the passing of time, the invested areas transfer from coastal regions to inland ones, from big cities to their surrounding areas. Especially with the rise of the technology content of the investment projects, there emerged the high levelization of industry level and inlandization of space level.

The forming mechanism of the characteristics of the spatial transference of FDI lies in, on one hand, the subject of FDI mainly are the enterprises of Hong Kong, Macao, Japan and burgeoning industrialized countries and regions of Asia. Most of the enterprises are small and medium-sized ones. Though they haven't formed the title rights advantage and internal advantage of the big transnational cooperation of the developed countries of Europe and North America, as far as the investing enterprises of burgeoning industrialized countries and regions are concerned, to pursue low cost to achieve price competition advantage has formed the basic competition strategy of those enterprises, because they have developed applicable technology and as a result set up production advantage of low cost. This has decided that their choice of location of direct investment in China is mainly affected by the cost of production factors such as labor. Since our reform and opening up, the relative change of the production factors such as labor in the different regions of China has resulted in the spatial transference of those FDI which goals are low cost. On the other hand, due to the rise of the overall level of economic development and the changes of technology and deposit of human capital, those FDI enterprises, which centered on gaining market share and increasing income, have increased day by day. And along with the in-

crease of the consumption level of inland regions, these enterprises show tendency to transfer from coastal regions to inland ones. At the same time, because there still exists considerable gradation gap in technology and human capital between coastal regions and inland ones, different technology content FDI enterprises choose different locations, thus resulting in the spatial difference and transference of FDI. Besides, the adjustment of the industry structure of FDI countries and regions and the changes of the industry and regional policies of the different regions of China have speeded up this process.

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