Comparison Study on the Actual FDI Utilization among Jiangsu, Guangdong, Shandong and Zhejiang

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Abstract

Guangdong, Jiangsu, Shandong and Zhejiang were the top four provinces in China in 2012 by local gross product according to the National Bureau of Statistics of the People’s Republic of China (2013). The amount of their foreign investment actually utilized was US$23,549.11 billion, US$35.7596 billion, US$12.35267 billion, and US$13.06926 billion respectively. Comparison method is adopted to analyze the actual FDI utilization in the four provinces. The findings show that foreign direct investment (FDI) plays a very important role in the economic development of the provinces, therefore, to study how the four provinces use FDI and summarize their experience and lessons in the utilization of FDI is of great significance. Their experience and lessons can be used by other provinces in China for reference.

Data Analysis

In 2004, the statistics methods in China were changed, so in this paper, the data about the actual utilization of FDI by the four provinces were from 2004-2012. Unless otherwise stated, FDI in the paper refers to the FDI actually utilized. The data in Table 1 are from the statistics of the Yearbooks of the 4 provinces. GD, JS, SD and ZJ refer to Guangdong, Jiangsu, Shandong and Zhejiang respectively.

Table 1 shows that the scope of FDI utilization in all the 4 provinces is being increased gradually but at different growth rates. From 2004-2012, Jiangsu was the first and Guangdong the second. From 2004-2007, Shandong was the third and Zhejiang the fourth; but from 2008-2012, Zhejiang surpassed Shandong and was the third, so Shandong becomes the fourth. FDI in Jiangsu and Guangdong is far more than the other two, Shandong and Zhejiang.

**Table 1 FDI Actually Utilized by the Four Provinces**

<table>
<thead>
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</tbody>
</table>

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The scope of FDI utilization in Jiangsu is the largest and it develops very fast. In 2004, the FDI in Jiangsu was almost the same as that in Guangdong, but by 2012, it had reached US$35.75956 billion, which is US$12 billion more than that in Guangdong. US$23 billion more than Shandong, and US$22 billion more than Zhejiang respectively. The scope of FDI utilization in Guangdong has been developing stably. In 2012, its FDI was US$12 billion more than that in 2004, which is over two times of that in 2004. The scope of FDI utilization in Shandong has been increasing, but the development is not stable. In 2012, it was increased by nearly US$4 billion compared with 2004. The scope of FDI utilization in Zhejiang is similar to that in Shandong. It has been increasing very fast, but the development is not stable. In 2012, it was increased by more than US$6 billion compared with 2004, about twice of that in 2004.

Table 2 shows that the majority of FDI in all the 4 provinces comes from Asia, Europe ranks the third for all the 4 provinces.

In Jiangsu and Guangdong, Latin America ranks the second, while in Shandong and Zhejiang, North America ranks the second. North America ranks the fourth in Jiangsu and Guangdong while Oceania ranks the fourth in Shandong and Zhejiang. Oceania ranks the fifth in Jiangsu and Guangdong while Africa ranks the fifth in Shandong and Zhejiang. Africa ranks the sixth in Jiangsu and Guangdong while Latin America ranks the sixth in Shandong and Zhejiang.

The top ten industries of FDI actually utilized by the four provinces in 2012 are shown in Table 3. Table 3 shows that in all the 4 places, manufacturing ranks the first and real estate ranks the second.

Wholesale and retail trades rank the third in Guangdong, Shandong and Zhejiang, while in Jiangsu, general equipment ranks the third.

The industries that rank the fourth in Guangdong, Shandong and Zhejiang all belong to the tertiary industry, leasing and business service in Guangdong and Zhejiang, and scientific research, technical service and geological exploration in Shandong; while Jiangsu that ranks the fourth belongs to the manufacturing, i.e. electrical machinery and equipment manufacturing.

<table>
<thead>
<tr>
<th>Country/Region</th>
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<th>SD</th>
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</table>

Table 2 shows that all four provinces belong to the tertiary industry. The industries that rank the seventh in Jiangsu as well as Zhejiang. While in Guangdong and Shandong, industry of production and supply of electricity, gas and water ranks the seventh. The industries ranking the seventh in all the 4 places belong to the secondary industry.
The industries ranking the eighth in all the 4 places belong to the tertiary industry. The industries ranking the ninth in Guangdong and Shandong belong to the tertiary industry, the primary industry in Jiangsu, and the secondary industry in Zhejiang. The industries ranking the tenth belong to the tertiary industry in Jiangsu and Guangdong, and the secondary industry in Shandong and Zhejiang.

Among the top ten industries, in Jiangsu, the primary industry ranks the ninth, the secondary industry accounts for 6, and the tertiary industry accounts for 3. Obviously, the secondary industry accounts for too much. In Guangdong, the primary industry is out of the top ten. Two of the top ten belong to the secondary industry and 8 the tertiary industry. In Shandong, the primary industry ranks the sixth, the secondary industry accounts for 3, and the tertiary industry accounts for 6. In Zhejiang, the primary industry is out of the top ten. The secondary industry and the tertiary industry account for 5 respectively.

Problems and Countermeasures

Jian Wang studied the features and existing problems of the FDI utilization by Jiangsu and put forward some countermeasures for the problems. Licai Lv and Weiping Niu studied the features, functions and prospect of the utilization of FDI in Guangdong, and they thought that Guangdong still had a large potential for FDI use. Xihui Sun analyzed the features and existing problems of the FDI utilization by Shandong and put forward some countermeasures for the problems. Ying Lu and Xianjun Zhang put forward some suggestions for the FDI utilization in Zhejiang.

Based on the studies by academics and by means of the above analysis, comparison method was adopted to analyze the FDI utilization by the 4 provinces as the following.

There were some common and different problems existing in the FDI utilization in the four provinces.

Common Problems

1) Imbalance of Industry Distribution

It can be seen from Table 3 that in all the 4 places, actual FDI in manufacturing industry ranks the first and real estate ranks the second. Manufacturing industry belongs to low end industry because of the low technical content. The actual FDI in manufacturing industry is more than what is appropriate while FDI in the primary and tertiary industries is not enough.

2) Imbalance of Region Distribution

Based on the related studies, in all the 4 provinces, most of the actual FDI is utilized in the places where the economy is developed compared with other places, the transportation is convenient, there are enough resources including natural and human resources, the market is opened to a large degree, there is a large market potential etc., while in the places which are less developed, the FDI is very little, which results in large gaps in FDI utilization between the developed and less developed places. Thus the imbalance affects the economic development of the provinces.

Different Problems

Though Jiangsu ranks the first, its FDI utilization structure is not reasonable, in particular, the FDI in the manufacturing industry is more than what it is necessary.

The FDI in the tertiary industry in Guangdong has already accounted for a large proportion, but FDI in the first industry is not sufficient.

In Shandong there is a large potential for FDI but it has not been used properly, for which there are various reasons, for example, the local infrastructure is not developed well enough and the local government needs to pay enough attention to attracting FDI.

It can be seen from Table 2 that most of the FDI in Zhejiang comes from Asia and North America. The FDI potential has not been used sufficiently.

Countermeasures

Regarding the common problems, in all the 4 provinces, they need to optimize the industry structure of their FDI utilization, direct FDI to the tech-intensive and capital-intensive industries, transferring from industries with low added value to the ones with high added value, and encourage FDI in the primary and the tertiary industries.

All the provinces should promulgate and perfect related laws and regulations about FDI utilization, make full use of their local advantages such as resource advantages, geographic advantage and so on, to direct FDI from the developed regions to the less developed places and use the FDI in a reasonable way so as to develop their areas effectively as a whole.
In addition, they should emphasize the quality and results of the FDI utilization, transferring from emphasizing the quantity to emphasizing the quality and profit.

In Jiangsu, compared with the top ten industries, FDI in finance, transport, storage, and postal services, and scientific research, technical services, and geologic prospecting is relatively less. Jiangsu should make use of its advantages such as developed economy, excellent transportation conditions, advanced educational advantages, etc., on the basis of keeping the developing speed stably, to direct FDI to the tertiary industry like culture, sports, and recreation.

In Guangdong, the FDI in the primary industry is relatively less compared with other industries. Guangdong should adjust the industry structure of the FDI utilization, take advantage of its strengths, direct FDI to the high-end service industries and newly emerged industries effectively, in the meantime, promulgate relative laws and regulations on FDI utilization focusing on the less developed regions to some extent, direct FDI to the less developed regions, direct more FDI to agriculture in order to coordinate the development in the whole province.

Shandong should make full use of its geographic advantages and resource advantages such as agriculture advantage and human resources to strengthen cooperation and resource sharing, innovate in FDI utilization, continue to improve the infrastructure construction, and optimize FDI conditions so as to attract more FDI.

Zhejiang should completely make use of the advantages of its privately-owned economy, diversify the sources of FDI and FDI types, further integrate FDI with private capitals and enlarge the scope of FDI use, and direct FDI to the southwest part to develop effectively in the whole province. Moreover, Zhejiang also needs to improve its FDI environment to attract more FDI from Latin America and Africa to widen its FDI channels.

**Conclusions**

From the above comparisons, it can be found that FDI utilization plays a very significant role not only in the economic development in the four provinces but also in the economic development of China. The 4 provinces have already obtained lots of experience in FDI utilization even though they still need to optimize their utilizing it. Other provinces can learn from the experience and lessons from the 4 provinces for reference so that they can use their FDI more reasonably and the FDI can be used to play a more effective part in the economic development in all the provinces and even the whole country.

**REFERENCES**


