China Seeks Foreign Investment to Help Develop its Less Favoured Regions

Two thirds of China’s population, or around 900 million people, live in rural regions that are largely under-developed and have received very little in the way of foreign direct investment (FDI) inflows. With a view to redressing this growing imbalance, the Chinese authorities and the OECD are co-operating in a policy dialogue aimed at encouraging investment in less favoured regions.

In the context of this co-operation, China’s chief trade negotiator, Mr. Long Yongtu, and Ambassador Marino Baldi of Switzerland will co-chair a conference in Xian on 11-12 October 2001 on Foreign Investment in China’s Regional Development: Challenges and Prospects. The conference is being organised by the OECD as part of the ongoing OECD-China policy dialogue and co-operation between the OECD and the Chinese Ministry of Foreign Trade and Economic Co-operation (MOFTEC) on investment issues. Participation is by invitation only.

While China’s relatively prosperous eastern coastal region accounted for 88 percent of China’s total $308 billion FDI inflows between 1978 and 1999, its central region attracted only 9 percent and its western region the small remaining share. In response, the Chinese authorities launched last year the Great Western Development - or “Go West” -- Campaign. This is an ambitious top-down effort to steer state investment, external expertise, foreign loans and private capital into the parts of China most in need but least likely to attract aid on their own, and it is embodied in China’s five-year plan to 2005.

The two-day meeting in Xian will cover the following topics:

- what lessons can be learned from FDI in the coastal regions that are of relevance to the inland regions;
- how do different international experiences with regional development relate to China;
- which development strategies will be necessary for the special situation in the Central and Western regions and what role can FDI play in these;
- what role can government play in support of such a development process - case histories from China and other countries;
- what preconditions will the central and western provinces have to meet in order to attract substantial FDI flows (including the establishment of subsidiaries of foreign-invested enterprises located in the coastal belt); and
- how can the benefits of FDI best be captured through linkages with local enterprise development, both in China and other countries.
Participants will include representatives of OECD countries and other countries such as India, Brazil and Russia whose experience may help to shed light on some of the challenges that the Chinese government is facing, as well as representatives of Chinese central and provincial government, of multilateral and bilateral organisations that provide assistance for regional development projects in China -- including the World Bank, the Asian Development Bank and the European Commission -- and of the private sector. Future OECD-China work on investment will cover such areas as mergers and acquisitions, FDI statistics and an FDI Policy Study of China.

The conference will take place at the Hotel Sheraton Xian, 12 Feng Gao Road, Xian, China 710077. [Tel: (8629) 426.1888; Fax: (8629) 426.2188]. There will be a media briefing at the end of the conference.

Journalists interested in attending the conference or in further information are invited to contact Mr. Mehmet Ogutcu, Principal Administrator of the OECD Global Forum on International Investment (tel (33) 1 45 24 93 95, or mehmet.ogutcu@oecd.org or at the Xian Sheraton Hotel indicated above), or Mr. Hu Jingyan, Director-General, Foreign Investment Administration, MOFTEC (tel: (86) 10 6519 7325 or ouyanghong@moftec.gov.cn ). The agenda and all the conference documentation are available at the following website http://www.oecd.org/daf/investment.