Economic Growth, Industrial Development and Inter-Regional Spillovers from Foreign Direct Investment: Evidence from China

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Abstract
Evidence from many countries shows that foreign direct investment (FDI) concentrates in a few regions within the host country. This paper examines the extent and possible mechanisms by which spatially concentrated FDI in a developing country boosts economic growth in other regions. Using a dataset that covers 96% of Chinese cities from 1996-2004, this paper finds that “inter-regional spillovers” from FDI concentrated in China’s coastal regions have a positive and significant effect on the growth of inland regions. In addition, such spillovers rely on an inland city’s industrial development, especially the presence of mining and manufacturing industries.