



# PERCEPTION OF FDI INTO CHINA: THE CASE OF CHINESE STUDENTS

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**Abstract**— Foreign direct investment (FDI) has played a key role in the emergence of globalization and in the rapid rise of China as a major economy. This study examines Chinese high school students' attitudes toward FDI in China by considering how Chinese high school students perceive the value of foreign investment in China, what factors do Chinese high school students emphasize in terms of attracting foreign investment in China, what risks do Chinese high school students emphasize in terms of foreign investment in China, and whether there are any gender differences in these views. The respondents generally had favorable attitudes toward FDI and emphasized attractive business environments as the most important factor in terms of attracting foreign investment into China. In addition, the respondents generally emphasized better pay and work environments of foreign firms as the most important risk factor.

**Keywords**— Foreign Direct Investment, Perception, High School Students, China

## I. INTRODUCTION

Foreign direct investment (FDI) has played a key role in the emergence of globalization. FDI is defined as investment by a company from one country in a company in another country. FDI is different from indirect investment such as portfolio-based investment in equities listed on stock exchanges of foreign countries. That is, FDI generally involves investment in company operations such as manufacturing, and therefore it involves substantial amounts of time and efforts to understand and operate in the local business environment. As a result, FDI tends to bring companies and countries together by making them depend more on one another.

FDI has played a crucial role in the rise of China as a major economy. Driven by China's skilled and low-cost labor and vast markets, foreign companies have poured huge amounts of money into China's manufacturing sector. This has driven up China's wages and standard of living. In addition, China's dependence on other economics has increased and vice versa.

Given the important role played by FDI in the Chinese economy, this study examines Chinese high school students' attitudes toward FDI in China. The study focuses on high

school students because these individuals are tomorrow's decision makers and thus because their views are expected to have considerable influence on China's economy in the future. More specifically, the study examines how Chinese high school students perceive the value of foreign investment in China, what factors do Chinese high school students emphasize in terms of attracting foreign investment in China, what risks do Chinese high school students emphasize in terms of foreign investment in China, and whether there are any gender differences in these views.

## Theoretical Framework

FDI can substantially enhance an economy's specialization processes. That is, FDI plays a key role in transition economies by increasing their export potential [1]. First, the economy improves by the rapid development of new fields and the renovation of existing ones. Second, FDI can be a major driver modernizing production processes. Third, FDI growth increases the level of manufactured production. In addition, FDI in China has been a major success [1]. In terms of inward FDI, China has become a leader. China's FDI consists mainly of greenfield investment, which has facilitated its economic development, and the country has attracted FDI from a large range of countries. These findings demonstrate the value of FDI.

There are many factors influencing FDI decisions of investors. First, to attract more FDI, countries should create a favorable investment environment for foreign investors [2]. This suggests that China should better promote investment opportunities in China for foreign companies. Second, a sound regulatory environment and efficient regulatory institutions are crucial for attracting FDI because administrative and regulatory obstacles can limit foreign investors' activities and thus discourage them from entering the local market [3]. This suggests that China should provide foreign firms with attractive regulatory environments. Third, a country's trade, financial, and labor market conditions have considerable influence on the extent of FDI inflows. For example, high tariffs, foreign-exchange market distortions, and high interest rates can be serious impediments for foreign investors [4]. In this regard, a host country should offer favorable business environments for



foreign investors. This suggests that China should provide foreign firms with attractive business environments. Fourth, FDI requires a skilled workforce [5]. In addition, workers should be appropriately trained, particularly in terms of working for foreign companies/employers. Without such a workforce, foreign companies would hesitate to enter a new market because human resources are often one of the most important factors determining the success of any new venture, particularly in foreign countries. This suggests that China should train more workers who are attractive employees for foreign firms.

Although FDI has many benefits for China, it also entails some risks. First, large companies from other countries are typically more experienced than local companies in China, and therefore they may pose serious threats to the latter [6]. This suggests that China's domestic companies risk failing because they cannot compete with foreign companies. Second, job satisfaction plays a crucial role in employees' decision to stay at the company. In this regard, foreign companies may lure Chinese workers with better pay and work conditions, leaving local companies with fewer options in terms of attracting qualified employees [7]. This suggests that China's best workers may go to foreign companies because of better pay and work environments. Third, China has welcomed foreign investment and opened its industries to foreign investors. As a result, the country has embraced substantial structural changes to its FDI regime since 2004 [8]. This suggests that foreign companies will try to influence China's policies to be more favorable for foreign companies. Given the increase in FDI in China, China has become increasingly dependent on foreign companies and vice versa [9]. This suggests that, sooner or later, China and Chinese people may come to depend on foreign companies.

In addition, the study considers any gender differences in these perceptions and factors because previous studies have noted some significant gender differences in attitudes toward credit card use and spending.

Based on the above discussion, the following research questions are addressed:

- RQ1: How do Chinese high school students perceive the value of foreign investment in China?
- RQ2: Is there any gender difference in Chinese high school students' perception of the value of foreign investment in China?
- RQ3: What factors do Chinese high school students emphasize in terms of attracting foreign investment in China?
- RQ4: Is there any gender difference in Chinese high school students' perception of these factors?
- RQ5: What risks do Chinese high school students emphasize in terms of foreign investment in China?
- RQ6: Is there any gender difference in Chinese high school students' perception of these risks?

## II. METHODS

### *Participants*

A total of 160 high school students in China were surveyed (79 males and 81 females). These participants were students attending various high schools in Dalian, Liaoning Province, China.

### *Procedure*

These students were selected randomly at several major shopping malls in Dalian. A total of 250 students were asked to participate, but only 160 did (a 64% response rate). The questionnaire took about 10 minutes to complete. Standard survey techniques were used, and the survey was administered anonymously (no names were asked). All participants were notified of the voluntary and confidential nature of the survey. The survey was administered during summer and winter breaks from November 2013 to December 2016.

### *Instrumentation*

One item was used to determine the gender of the participant (nominal scale).

Four items were used to assess the respondents' perception of foreign direct investment. These items were measured based on a five-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (5). The internal consistency and reliability of these four items were assessed using Cronbach's  $\alpha$ , which was .77, indicating sufficient internal consistency and reliability (Nunnally, 1978). These four items for the perception of foreign direct investment include the following: "Foreign investment would help improve China's economy," "Foreign investment would improve the lives of Chinese people," "Foreign investment would enhance the capability of domestic companies through things such as technology transfer and better business practices," and "Foreign investment would make domestic companies try harder to compete with foreign companies."

For the respondents' perception of factors considered to be most important in terms of attracting foreign investment into China, each respondent was asked to select one of the following four factors that he or she considered to be the most important: "China should better promote investment opportunities in China," "China should provide foreign firms with attractive regulatory environments," "China should provide foreign firms with attractive business environments," and "China should train more workers who are attractive employees for foreign firms."

For the respondents' perception of the most important risks in foreign investment in China, each respondent was asked to select one of the following four factors that he or she considered to be the most important: "China's domestic companies will fail because they cannot compete with foreign companies," "China's best workers will go to foreign companies because of better pay and work environments," "Foreign companies will try to influence China's policies to be



more favorable for foreign companies," and "Sooner or later, China and Chinese people will come to depend on foreign companies."

**Analysis**

For RQ1, the means and standard deviations for the four items for the perception of the value of credit cards were analyzed for male and female respondents. For RQ2, the difference in means between the groups was examined through an independent-samples t-test. For RQ3 and RQ4, a chi-square test was conducted by considering a total of four factors in terms of investment factors. For RQ5 and RQ6, a chi-square test was conducted by considering a total of four investment risks.

**III. RESULTS**

**RQ1**

The respondents generally had favorable attitudes toward foreign direct investment. The mean was 3.31 (SD=0.80). The mean for males was 3.16 (SD=0.86), whereas that for females was 3.45 (SD=0.72). Here the higher the mean, the more favorable the perception of foreign direct investment is.

**RQ2**

Male respondents (3.16 (SD=0.86)) showed a lower mean than female respondents (3.45 (SD=0.72)). The results of the independent-samples t-test in Table 1 show a significant gender difference (t(158)= -2.328, p=.021) in the perception of foreign direct investment.

Table 1. The independent-samples t-test for the perception of foreign direct investment

		Levene's Test for Equality of Var		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tail)	Mean Diff	Std. Error Difference	95% CI of Diff	
									Lower	Upper
score	Equal variances assumed	.800	.372	-2.328	158	.021	-.29112	.12503	-.53806	-.04418

**RQ3**

As shown in Table 2, the respondents emphasized attractive regulatory environments as the most important factor in terms

of attracting foreign investment into China. This was followed by attractive business environments, investment opportunities, and attractive employees, in that order.

Table 2. Most important factors for attracting foreign direct investment by gender (N, %)

		Factors				Total
		investment opportunities	attractive regulatory environments	attractive business environments	attractive employees	
Gender male	Count	9	36	15	18	78
	% within gender	11.5%	46.2%	19.2%	23.1%	100.0%
female	Count	22	20	28	12	82
	% within gender	26.8%	24.4%	34.1%	14.6%	100.0%
Total	Count	31	56	43	30	160
	% within gender	19.4%	35.0%	26.9%	18.8%	100.0%

**RQ4**

As shown in Table 2, in terms of the most important factors in attracting foreign direct investment, female respondents were most likely to identify attractive business environments (34.1%), followed by investment opportunities (26.8%), attractive regulatory environments (24.4%), and attractive employees (14.6%). On the other hand, male respondents were most likely to identify attractive regulatory environments (46.2%), followed by attractive employees (23.1%), attractive business environments (19.2%), and investment opportunities (11.5%). The results of the chi-square test for the relationship between gender and these factors show a significant relationship ( $\chi^2(3) = 15.063, p=.002$ ). Cramer's V was .307, implying a strong relationship.

**RQ5**

As shown in Table 3, the respondents emphasized better pay and work environments of foreign firms as the most important risk factors. These were followed by more favorable policies for foreign companies, weak competitiveness of domestic firms, and dependence on foreign firms, in that order.



Table 3. Most important risk factors by gender (N, %)

		risks				Total
		weak competitiveness of domestic firms	better pay and work environments of foreign firms	more favorable policies for foreign companies	dependence on foreign firms	
Gender male	Count	16	28	20	14	78
	% within gender	20.5%	35.9%	25.6%	17.9%	100.0%
female	Count	24	20	27	11	82
	% within gender	29.3%	24.4%	32.9%	13.4%	100.0%
Total	Count	40	48	47	25	160
	% within gender	25.0%	30.0%	29.4%	15.6%	100.0%

**RQ6**

As shown in Table 3, in terms of the most important risk factors, female respondents were most likely to identify more favorable policies for foreign companies (32.9%), followed by weak competitiveness of domestic firms, better pay and work environments of foreign firms, and dependence on foreign firms, in that order. On the other hand, male respondents were most likely to identify better pay and work environments of foreign firms (35.9%), followed by more favorable policies for foreign companies, weak competitiveness of domestic firms, and dependence on foreign firms, in that order. The results of the chi-square test for the relationship between gender and these factors show no significant relationship ( $\chi^2(3) = 4.239$ ,  $p=.237$ ). Cramer's V was .163, implying a strong relationship.

**IV. DISCUSSION**

Foreign direct investment (FDI) has played a key role in the emergence of globalization and in the rapid rise of China as a major economy. Driven by China's skilled and low-cost labor and vast markets, foreign companies have poured huge amounts of money into China's manufacturing sector.

According to the results, the respondents generally had favorable attitudes toward foreign direct investment. Male respondents had a less favorable view of foreign direct investment than female respondents, and the difference was significant.

The respondents generally emphasized attractive business environments as the most important factor in terms of

attracting foreign investment into China, followed by attractive business environments, investment opportunities, and attractive employees, in that order. Female respondents were most likely to identify attractive business environments, followed by investment opportunities, attractive regulatory environments, and attractive employees. Male respondents were most likely to identify attractive regulatory environments, followed by attractive employees, attractive business environments, and investment opportunities.

The respondents emphasized better pay and work environments of foreign firms as the most important risk factors, followed by more favorable policies for foreign companies, weak competitiveness of domestic firms, and dependence on foreign firms, in that order. Female respondents were most likely to identify more favorable policies for foreign companies, followed by weak competitiveness of domestic firms, better pay and work environments of foreign firms, and dependence on foreign firms, in that order. Male respondents were most likely to identify better pay and work environments of foreign firms, followed by more favorable policies for foreign companies, weak competitiveness of domestic firms, and dependence on foreign firms, in that order.

These results suggest that, although FDI has favorable effects, they also have some risks. This implies that, because FDI is a necessary element of economic growth, the Chinese government should carefully consider the FDI environment to attract FDI while minimizing potential risks to its industries and society.

This study has some limitations. The sample included only high school students in Dalian, China. However, Dalian may not represent the attitudes of students across China. In addition, the sample was collected over a relatively long period due to the author's academic obligations. In this regard, future research should consider a specific point in time with a larger sample and a wider range of age groups as well as locations.

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