

## **The role of inward FDI to service industry in China**

Topic: International Trade II

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The service sector has emerged as the largest and fastest-growing sector in the global economy, providing more than 60% of global output and a large share of employment. Meanwhile, the inflow of foreign direct investment (FDI) to the services sectors is growing worldwide, which made service industry, rather than manufacturing, become the main bearer. Along with China's accession to WTO, inward FDI in China has risen dramatically under the open-door policy. And more and more multinational began to enter China's service industries, such as finance and distributions industries. The proportion of China's actual utilization of FDI in services industries is continued to increase to more than 50% after 2011. The increase in services FDI bring capital and technology to the development of services, improve the quality and structure of services, as well as to enhance the international competitiveness of China's service trade. As China been an attractive site for FDI, there has been a growing literature on the role of FDI in Chinese economy. However, most of these are on effects of FDI on exports of goods. In this case, it will have significant sense to research the relationship of FDI and service trade in China. This study seeks to find the growth of service and its link with inward FDI flows, and compare the difference between FDI in services and FDI in goods. Using the input-output measurement of industry linkages, this study identifies the key sectors of service industrial development. And to show the importance of FDI in services, this study calculates the contribution to economic growth by FDI to services in China.