

Regional Economic Development and Entrepreneurship in China

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Abstract:

The performance of China's regional economic development could be creditable to its explosive entrepreneurship growth ever since reform and opening-up. The further involvement of FDI in this process is both necessary and promising. The achievements of China's regional economic development were reviewed in the perspective of contributions from entrepreneurship and FDI. The challenges as well as opportunities for entrepreneurship and FDI are discussed with this logic in mind.

Keywords: Regional Economic Development, Entrepreneurship, FDI, Challenge and Opportunity.

1. China's Regional Economic Development: a Snapshot

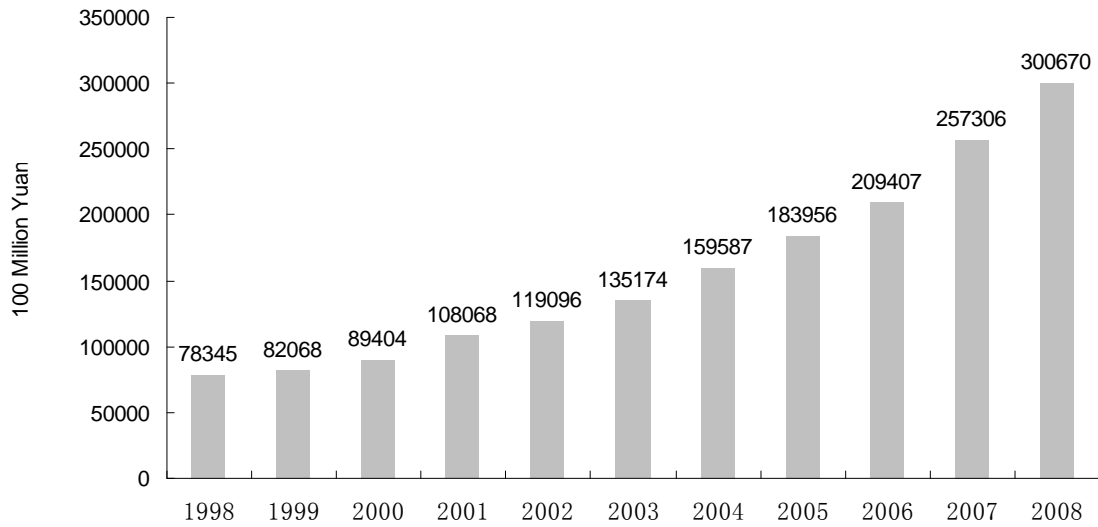
1.1. The Achievements of China's Economic Development

As one the emerging economy with high vitality and potential, the achievement of China's regional economic development has grasped the attention from the worldwide. Ever since reform and opening up, China's economy had kept an average annual growth rate of more than 9%. During 1998 and 2008, China's GDP growth rate has been maintained for more than 7%, and, in several years, even exceeded 10%. In 1998, China's gross domestic product (GDP) was about 0.7 trillion U.S. dollars (7.8345 trillion Yuan). In 2008, despite the devastating ice storms in the south and massive earthquake hit Wenchuan, as well as the severe impact of the global financial crisis, this figure still topped 2.7 trillion U.S. dollars (30.067 trillion Yuan), a year-on-year increase of 9.0% and more than five percentage points higher than the average world economic growth rate.

China's per capita GDP also raised form 650 U.S. dollars up to more than 3000 U.S. dollars during 1996 and 2008. In a decade or so, the growth rate for per capita GDP is higher than 6%, and since 1999 this increment has shown an obvious acceleration. By 2007, per capita GDP growth rate is up to 14.7%.

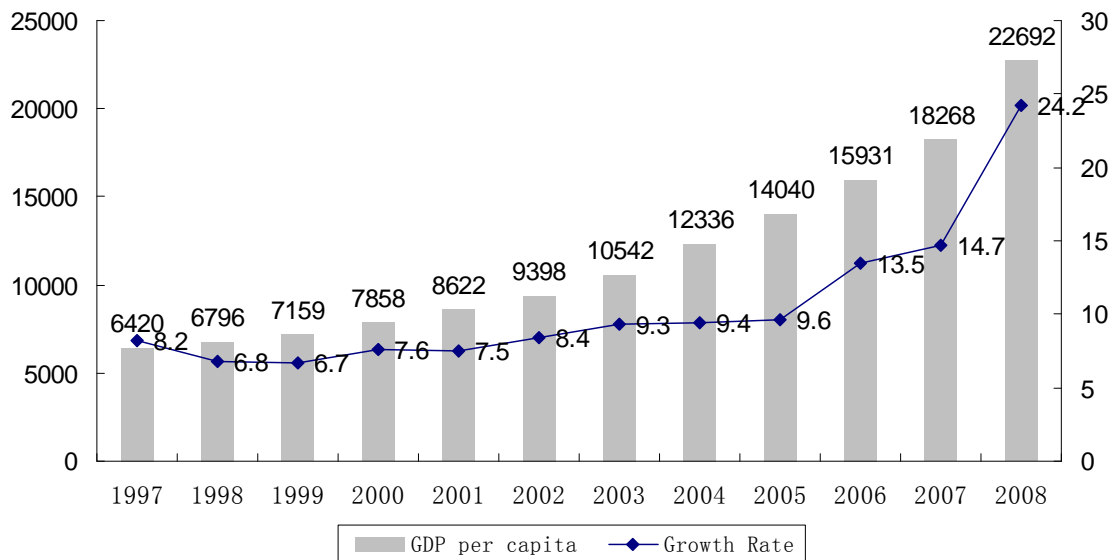
The year 2008 was an extraordinary and eventful year for China. However, China still successfully sustained steady and fairly rapid regional economic development, and maintained social harmony and stability, which implies strong vitality and momentum for further development.

Figure 1: GDP of P.R. China 1996 - 2008



Sources: China Statistic Yearbook 2008,
National Development and Reform Commission, 2009

Figure 2: GDP Per Capita of China 1996-2008



Sources: China Statistic Yearbook 2008,
National Development and Reform Commission, 2009

1.2. The Institutional Transition during Economic Development: Implications for Entrepreneurship

In the past 30 years, China's economic development was intertwined with the implementation of reforms and opening-up, which constituted the institutional background for the burgeoning private

sector and enterprise economy. China fulfilled price system reform during the first half of these 30 years, and generally realized the main task in the reform and transformation of state-owned enterprises (SOE). The market economy has been established since 1993, and has already been formally recognized by 76 countries around the world. By 2008, the market-oriented reform and SOE reform has shift the focus from strategic issues to practical issues.

Following several amendments to the Constitution in 1988, 1993 and 1999, promoting private sector economic development and implementing the basic principle of running the country according to law has become the fundamental direction for China's transition. On the basis of Constitution, China has constantly strengthened the economic legislation required by the market economy, for example, the implementation of the Company Law (enacted in 1993, amended in 1999), Partnership Enterprise Law (1997), Individual-owned Enterprise Law (1999), are the laws that define the principle parties of economic activities.

At the same time, to govern the market economic behavior, laws and regulations are implemented regarding contracts, bills, insurance, security, and other activities. Legal system also covered the issues of fair competition, product quality, consumer protection, auction, advertising, etc. Great endeavors are also taken with respect to regulating financial order, foreign economic relations, intellectual property protection, resources and environmental protection, and particularly, administrating according to law.

From the enact of Law on Joint Chinese and Foreign Investment Enterprises in 1979, to the implementation of the Law on Foreign-Funded Enterprises and the Sino-foreign Cooperative Joint Venture Law, these three laws provided the legal basis for attracting and utilizing foreign investment and cultivating a favorable investment environment. Besides, the accession into the WTO brought with it unprecedented opportunity for both domestic entrepreneurship and foreign investors alike. To speed up the reform in the country's administrative system for international trade, China introduced the Foreign Trade Law in 1994, together with the screening and amendment of more than 3000 other laws and regulations, to build a more fluent and transparent policy framework for international trade.

In short, since the reform and opening up, China has been steadily heading towards establishment and system innovation of a market economy with Chinese characteristics. The transition to market economic system, the reform of SOE, as well as the integration into world economy, had constituted a favorable atmosphere and institutional environment for China's economic development, and especially, the shining performance of entrepreneurship in this promising country.

2. Entrepreneurship and FDI: A Micro Inquiry into the Miracle of China's Economy

There are different explanations from economists, politicians or historians as to how to understand the inner-dynamics of China's economic performance. However, what we want to argue here is that, entrepreneurship, which were displayed through the prosperity of private sector in the past decades, could be praised for its role as the engine of China's regional economic development ever since Reform and Opening-up, while various forms of FDI also played an important role during this process.

In the broadest sense, the academic research and policy practice had recognized the vital role of entrepreneurship in economic development. Entrepreneurial activity could promote immediate economic growth, and enable a sustainable development in the future through the expansion of employment capacity, the promotion of market development, the acceleration of technological innovation.

2.1. The Overall Performance of Domestic Entrepreneurship in China

Along with the deepening of market economy reform, thanks to the government's incentive policies regarding entrepreneurship, more and more individuals and groups are getting involved in entrepreneurial activities; domestic entrepreneurial activity has become increasingly active. China's current economic growth environment contains a large number of entrepreneurial opportunities. According to Global Entrepreneurship Monitor (GEM) 2007, in 2006 alone, there were about 140 million Chinese adults participated in the entrepreneurial enterprises which were founded for no more than 3.5 years. GEM 2007 revealed that China's entrepreneurship proportion rose from 12.3% of 2002 to 16.4% in 2007, ranking 6th among all of the 42 countries GEM surveyed. It is worth noting that at the same time, this proportion in developed countries experienced varying degrees of decline. For example, the United States dropped from last year's 12.4% to 10% in 2007, while the figure in the United Kingdom fell from 6.2% to 5.8%. Entrepreneurial vitality of the Chinese economy is particularly prominent.

The major component of entrepreneurship is the SMEs. According to the data released by SME Development and Reform Commission of the National Development and Reform Commission (NDRC), at present, China's SMEs contributed more than 60% of GDP, realized more than 70% of international trade volume, offered more than 75% of urban employment opportunities, and created more than 60% of all the invention patents and more than 80% of production innovation.

Since the reform and opening-up, Chinese enterprises had been growth at an average annual rate of around 5%. By 2008, the number of enterprises in the country has reached 9,714,600, an increase of

74,900 over the previous year, among which 6.57 million are private owned enterprises, an increase of 543,700 over the previous year, with a growth rate higher than 9%.

When it comes to the economic scale, the registered capital and business scale of enterprises continued to grow. By 2008, the enterprise sector enjoyed a registered capital of 1.52 trillion dollars (11.74 trillion Yuan), a growth of 25.02% on last year's basis. The registered capital enjoyed by the private enterprises were 1.39 trillion dollars (10.69 trillion Yuan), which increased 22.38%

In 2008 the private enterprises offered employment opportunities to more than 137 million people, an increment of 9 million over the previous year.

In the era of global economic downturn, China's private sector still maintained a stable development, which brought a steady increase in the number and economic scale of domestic enterprises. Since most of the SMEs are business start-ups, we have reasons to argue that, entrepreneurial activity reflects the most dynamic part of China's national economy, has already and will still be an important driving force for China's future economic development.

2.2. The Contribution of FDI in Economic Development

Encouraging foreign investment is basic and important national policy of reform and opening-up policy of China. During the past 30 years, China has made remarkable in attracting and utilizing achievements foreign investment. By 2008, China's cumulative foreign investment surpassed 800 billion U.S. dollars. In recent years, as the world's largest foreign investment destination, China realized an annual FDI amount of 60 billion dollars.

By 2008, the country has 434,900 foreign-invested enterprises, an increase of 7.01%; a total investment of 2.32 trillion U.S. dollars, a 0.22 trillion U.S. dollars increase on last year's basis, an increase of 10.21%. There are 43,000 large and medium-sized foreign invested enterprises with investment higher than 10 million U.S. dollars, accounting for 14.93% of the total number of enterprises with foreign investment. Along with the scale-up of foreign investment, there's also continuous optimization of the structure of the absorption of foreign capital.

Table 1: FDI in China by 2008

Year	Number of Projects	Realized FDI (\$100 million)	Growth Rate
1979—82	920	17.69	
1983	638	9.16	
1984	2166	14.19	54.9
1985	3073	19.56	37.8
1986	1498	22.44	14.7

1987	2233	23.14	3.1
1988	5945	31.94	38.0
1989	5779	33.93	6.2
1990	7273	34.87	2.8
1991	12978	43.66	25.2
1992	48764	110.08	152.1
1993	83437	275.15	150.0
1994	47549	337.67	22.7
1995	37011	375.21	11.1
1996	24556	417.26	11.2
1997	21001	452.57	8.5
1998	19799	454.63	0.5
1999	16918	403.19	-11.3
2000	22347	407.15	1.0
2001	26140	468.78	15.1
2002	34171	527.43	12.5
2003	41081	535.05	1.4
2004	43664	606.3	13.3
2005	44019	724.06	19.4
2006	41496	727.15	0.4
2007	37892	835.21	14.9
2008	27514	924.0	10.6
Total	659858	8831.47	

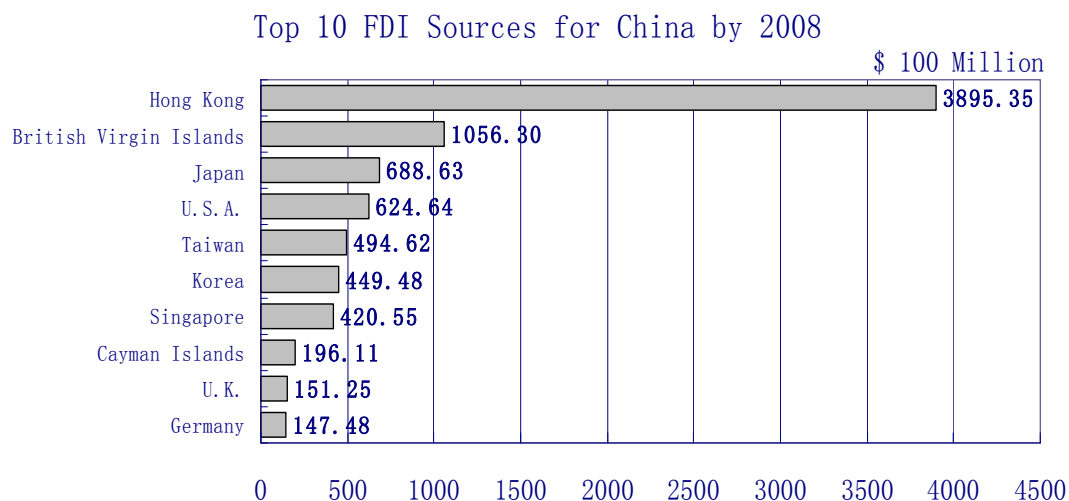
Sources: Ministry of Commerce, China, 2009

By 2008, there are investors from 211 countries of foreign investment in China. Among them, Hong Kong enterprises are still the most important source of foreign investment. Figure 4 shows the top 10 FDI sources for China by the end of 2008.

The industrial structure and regional layout of foreign investment is being optimized continuously. At non-financial areas, the total foreign investment that goes to agriculture, service industries, as well as the central and western regions enjoyed rapid growth, with the growth rate higher than the national average. Among them, the amount of foreign capital actually used in agriculture, forestry, animal husbandry, fisheries amount to 1.19 billion U.S. dollars, saw a 28.9% growth. The service industry

actually used 38.12 billion U.S. dollars, realized a 24.23% increase. Table 2 provided a detailed FDI distribution by Sector in the year 2007.

Figure 4: Top 10 FDI Sources for China by 2008



Sources: Ministry of Commerce, China, 2009

Table 2: FDI by Sector 2007

Industry	Projects	Realized Investment (\$10,000)
Total	37,871	7,476,789
Agriculture, forestry, animal husbandry & fishing	1,048	92,407
Mining	234	48,944
Manufacturing	19,193	4,086,482
Production & supply of electricity, water & gas	352	107,255
Construction	308	43,424
Transportation, storage & postal industry	658	200,676
Information transmission, computer services & software industry	1392	148,524
Wholesale & retail trades	6,338	267,652
Accommodation & catering industry	938	104,165
Financial industry	51	25,729
Real estate	1,444	1,708,873
Leasing & business services sector	3,539	401,881
Scientific research, technical services &	1716	91,668

geological prospecting industry		
Water, environment & public facilities management industry	154	27,283
Services and other services residents	270	72,270
Education	15	3,246
Health, social security & social welfare sector	13	1,157
Culture, sports & recreation	207	45,109
Public administration & social organizations		44
International organizations	1	

Sources: China Statistic Yearbook 2008

The spatial distribution favored the western and central regions, 6.62 billion U.S. dollars actually used in western areas, and the 7.44 billion U.S. dollars in central regions, the increase are 56.26% and 12.86% higher than the national average, respectively.

2.3 The Performance and Contribution of Foreign Investment

On the one hand, foreign-funded enterprises has played an increasingly important role in promoting China's national economic growth, driving technological progress of industries, expanding exports, and providing employment opportunities, and, at the same time, also enjoyed huge returns. According to the statistics by Ministry of Commerce, since 1990, foreign investors enjoyed nearly 300 billion U.S. dollars of profits, with a significant portion of the profits reinvested into their businesses in China.

Take the United States for example. China's economic growth rate is two times higher than that of the United States in recent years. Due to the continuous expanding of economic scale, China is becoming a more and more important market to foreign enterprises. The *US Enterprises in China White Book 2007* argued that the global competitiveness of the United States is more and more depending on its performance in China. In 2007, among the member companies participated in the survey, 73% declared their operations in China as *profitable*. The majority of enterprises also said that the profit rate of its operations in China in 2006 achieved growth. 60% of the members said that since 2001 the profit rate had increased annually. U.S. companies continue to invest with a hope to increase their market share. 83% of the respondents said they may expand the scale of its operations in China.

On the other hand, China's opening-up to the outside world has shown that the active and rational absorption of foreign capital effectively compensated the shortage of the domestic construction funds, introduced advanced technology, business model and management experience, brought modern concepts of circulation and marketing, introduced international competition mechanism, rules and

standards. The policy played an important role in setting up and perfecting the market economic system with Chinese characteristics through promoting technological progress and adjusting and upgrading industrial structure, and at the same time, accelerating the formation of an open economy in China,. The contribution of entrepreneurship of foreign capital to promote the growth of the Chinese economic development mainly reflected in:

Employment: With the growing scale of foreign investment, the quantity of labor forces absorbed by foreign-funded enterprises has increased year by year. Foreign-invested enterprises' direct employment rose from only 60,000 people in 1985 to more than 42 million people in 2007.

Technological advances: The establishment of R & D center in China by multinational companies is increasing rapidly. At present, among the world's largest 500 multinational companies, 490 of them have invested in China. R & D centers established by multinational companies in China has been more than 1160, which provide obvious technological spillover effects on domestic enterprises, directly drive and speed up the optimization and upgrading of domestic industrial structure.

Industrialization: In 1990, industrial output value of foreign-invested enterprises is only 1.9% of total industrial output value of China, while industrial output value (current value) of foreign-invested enterprises in 2007 amounts to about 1.6238 trillion U.S. dollars (12.503694 trillion Yuan), representing 30.9% of the country's industrial output value (current value).

Foreign Trade: Foreign-invested enterprises have promoted the development of China's foreign trade, with the role played by foreign investors in two aspects: Firstly, the rapid growth of the total import and export of foreign-invested enterprises expanded China's foreign trade scale. Secondly, the growth of the import and export of foreign-invested enterprises promoted the upgrading of China's export structure. In 2007 the import and export of foreign-invested enterprises amounted to 1.254928 trillion U.S. dollars, accounting for 57.73% of the total import and export of China. Among them, foreign-invested enterprises exported 695.52 billion U.S. dollars, accounting for 57.1 percent of the country's exports; high-tech products exported 287.432 billion U.S. dollars, accounting for 86.67 percent of the national high-tech products exports.

Tax: 95% of Chinese foreign-related tax is from foreign-invested enterprises. In 1982 the total amount of foreign-related taxation is less than 300 million Yuan, less than one ten thousandth of the total amount of industrial and commercial tax revenues. In 2007, foreign-invested enterprises contributed 195.12 billion Yuan (about 25 billion U.S. dollars), equivalent to 3.8% of China's fiscal revenue.

3. Regional Economic Development: Challenges and Opportunities to Entrepreneurship and FDI

To survey the entrepreneurship activity within the framework of regional economic development, we may get some insight into the challenges and opportunities for entrepreneurship and foreign investors, which we believe is of multi-folded meanings.

3.1. The Challenges to Future Development and Policy Responses

Regional economic development in China has achieved remarkable success, but is still facing a lot of constraints and problems. Although the economic volume reached certain scale, it was very low when measured by per capita GDP; urban and rural areas is very uneven in regional development, the employment stress is heavy; do not have a strong capability of independent innovation, industrial technological level is not high; extensive mode of growth has not fundamentally changed, the contradiction between rapid social economic development, environment and resources have become increasingly conspicuous.

China is taking a new road to industrialization and speeding up the transformation of economic growth pattern in order to solve the above-mentioned problems and realize a harmonious economic and social development. Policy-makers had decided to take a more active attitude towards the world, pay more attention to the important role of reform and opening-up in social-economic development. The constructions of market economy with Chinese characteristic will facilitate government reform, deepen the opening-up, and further improve investment environment through improved legal and regulatory construction.

As for foreign investment, more attention will be paid as to optimizing the capital structure and improving the quality and level in utilization of foreign investment. At the same time, China has also promised to secure a favorable investment environment, protect the legitimate rights and interests of investors from both domestic and abroad, strengthening measures are taken with regard to intellectual property protection. Multilateral and regional cooperation will also be strengthened to further promote the trade and investment facilitation process, in order to jointly create an environment conducive to the realization of mutual beneficial development and prosperity.

3.2. Opportunities for future Entrepreneurship and FDI

3.2.1. Demands for Consumer Products in Domestic Market

China's domestic consumption market provides an opportunity for the world economy. Looking back to the consumption market of the country over the past five years, the growth of total retail sales has always been about 2 percentage points higher than the average GDP growth. In 2007, GDP

increased by 11.4%, while total retail sales of consumption goods increase by 16.8%, an increase of 5 percentage points. In 2008, because of the financial crisis, GDP growth fell to 9.0%, while total retail sales of consumption goods still unprecedented topped 10 trillion Yuan mark, increased by 21.6%.

International experience shows that when per capita GDP reaches 2,000 U.S. dollars, the level of consumption will be upgraded. In 2007, China's per capita GDP reached 2,490 U.S. dollars, which indicates that China has been entering into the consumption transition period, and the overall market space of the consumer goods is expanding. Scholars believe that, with the transition of China's economy from the Stage of Food and Clothing to a Well-off Stage, the growth rate of retail sales of consumption goods market will always exceed the growth rate of GDP; consumption will play a more and more important role in the economic development.

To recognize the opportunity in China's domestic market, we should consider the imbalance of China's regional economic development. The large gap of China's regional development implies the large gap of consumption accordingly. From the perspective of the regional differences of the urbanization process, in the eastern developed regions, some cities could be comparable to any developed city in the world. But as to the entire region, its urbanization process is still on the way. In the central region, which is adjacent to the eastern area, its central cities are in expansion process. The suburb areas are gradually building into new urban areas. At the same time, the Western Development will also promote the process of urbanization and industrialization of the western region.

In recent years, the eastern region of China is entering the industrial upgrading stage, and the relatively backward western regions showing a strong potential to accelerate development. Regions such as Jiangxi, Henan, Hubei, Shanxi, and Guangxi provinces have experienced relatively fast economic development and consumption scale expansion. The contribution rate of retail sales of eastern part to total retail sales of social consumption goods dropped from 59.1% in 2006 to 57.1% in 2008, while the central areas rise from 24.1% to 25.5%, western areas rise from 16.8% to 17.4%.

During the process of industrialization and urbanization, the rural market potential is gradually released. On the one hand, the rural market enjoyed more than half of the country's population (about 720 million). If the majority of the rural population can achieve the same living standard of the general urban residents, the economy will be stimulated enormously. On the other hand, the non-agricultural employment of agriculture population has brought significant income growth, and further promoted the transfer of the rural population to urban areas, promoted the change of consumption concept and consumption patterns of household in some rural areas, and promoted the consumption growth and structure change in consumption patterns. These changes, while achieving a multiplier effect through the conversion between economic sectors, and through the process of transformation of consumption, will lead to cumulative effects that are enormous business opportunities for the consumer goods industry.

In short, the reality of the population base and the economies in transition not only determines the huge capacity of consumption market, but also means enormous business opportunities behind the transformation and upgrade of the consumption habits. From 1996 to 2008, China's total retail sales of consumption goods increased from 368 billion U.S. dollars (about 2836 billion Yuan) in 1996 to 1.4 trillion U.S. dollars (about 10.8488 trillion Yuan) in 2008, an increase of nearly three folds. From 1996 to 2008, despite ups and downs, the average growth rate of China's total retail sales of social consumption goods was still higher than 6%. In recent years, upon the stimulation of the domestic consumption policy, it increased at an accelerated speed.

Huge population base, consumption structure transformation, and changes in consumer preferences, implies that China's domestic market has enough space for expansion, which is conducive to the expansion of market capacity and the elimination of the economic bubble. It provides support for sustained economic growth, and provides the vast space for entrepreneurial activity.

Figure 5: Retail Sales of Consumer Goods in China 1996 -2008



Sources: China Statistic Yearbook 1998 – 2008, Report on the Implementation of the 2008 Plan for National Economic and Social Development, National Development and Reform Commission, 2009

3.2.2. Opportunities provided by Industrial Policies

As a whole, foreign investors will be encouraged to make investment in high technology, energy conservation and environmental protection, high-end manufacturing, modern service industry, modern

agriculture, especially the exploration of new energy sources. What were strictly restricted include High energy-consuming, high pollution, resource-based industries. Strong encouragement was given to FDI in R&D centers, high-tech industries, advanced manufacturing, energy conservation and environmental protection. *Catalogue for the Guidance of Foreign Investment Industries* (enacted in December 1, 2007) provided a generally-favorable framework for foreign investment.

Upon the global financial and economic crisis, in 2009, the draft and implementation of *Top Ten Industry Promotion Planning* is the most remarkable among industrial policy initiatives, which involved automobile, iron and steel, textile, equipment manufacturing, shipbuilding industry, electronic information, light industry, petrochemicals, non-ferrous metal industry and logistics industry. Despite the logistics industry, the rest 9 industries amount to nearly 80% of industrial added-values, or a quarter of China's GDP.

The program will be effective during 2009 through 2011, focused on promoting the structural adjustment, the transformation and upgrading, the technological innovation, and global competitiveness in related industries. Considering the rapid decline in external demand and the structural adjustment within domestic demand, the main objective of this policy could be summarized as ensure the demand and adjust the supply. The investment opportunity aroused by this policy initiative mainly lies in the related cyclical industries and policy-driven mergers and acquisitions, which deserve close attention from all kinds of investors.

We should bear in mind the traditional industrial policies while endeavoring in finding investment opportunities from the new policy initiatives. For example, comply with the policy has clearly pointed out the product structure adjustment will be headed for energy conservation and reduction of pollutant emissions, which implies that the low-emission car and new-energy automobiles will be given greatest support. Tax concession of three years exemption plus three years taxation at 50% of the full tax rate for enterprises engaging in *Catalogue of Public Infrastructure Projects Entitled to Enterprise Income Tax Preferential Treatment* involving environmental protection and energy conservation, such as sewage treatment, refuse treatment, methane gas recovery, energy conservation and emissions reduction technologies, and desalination, with specific conditions and scope subject to determination of competent authorities under the State Council.

When it comes to the employment policies related to entrepreneurship, the trend will be increase employment through increasing the domestic demand. To be more specifically, this means exploitation of the employment-driven roles of major government investment projects and encouragement of the development of labor-intensive industries, esp. SMEs and service industry. Tax preferences, social insurance subsidies will be provided to encourage enterprises to provide more employment opportunities.

3.2.3. Opportunities suggested by Regional Development Policies

With the determination of economic development policy of China in 2009, the regional revitalization policy is likely to be the most anticipated highlights of policy initiatives besides *Top Ten Industry Promotion Planning*.

The trends in this aspect include encouraging capital investment into the central and western regions, promoting gradient transfer of industries, facilitating the coordinated development of the regions, further stimulating foreign investment in the Midwest and Northeast regions, and encouraging open industry, mature labor-intensive industries and processing trade from eastern areas to transfer to the central and western regions.

In 2007, 2008, and 2009, the Chinese government issued development plans for three major economic zones. *The 11th Five Year Plan for West Development* in 2007 announced the establishment of economic zones in Chengdu-Chongqing, Guanzhong-Tianshui, and Guangxi Northern Gulf Areas. These areas enjoyed solid foundations with regard to resources, industrial basis, urban development, and factor supply, is the most promising area in the process of West Development and is now ready for investment and industrial transfer.

Traditionally, there's also Three Main Economic Zones, which referring to the Yangtze River Delta (YRD), Pearl River Delta (PRD), and Beijing-Tianjin-Hebei Metropolitan Area (BTHMA). In 2007, the three economic zones contributed 39.1% of GDP, which amount to 1.26 trillion dollars (9.7 trillion Yuan). YRD, PRD, and BTHMA contributed 18.9%, 10.3%, and 9.9% of GDP, respectively. In 2007, the export of the three zones amounts to 9830.45 billion dollars, enjoy a share of 80.7% in total export of the country.

The Three Main Economic Zones has adopted distinctive industrial development strategies and had formed several competitive leading characteristic industries. These regional industrial patterns greatly promoted these regions' rapid economic development. To be specific, in YRD the high-tech and mechanic manufacturing industries were clustered in Shanghai through industrial upgrading and transfer, while the labor-intensive industries were clustering in Jiangsu and Zhejiang. As for PRD region, Guangdong Province has choose the electronics and information manufacturing industry, machinery electrical equipment, automobile, construction material, textile and garment, medicine, petroleum and chemical, food and beverage, and forestry paper production as its leading industries. Petroleum and natural gas exploitation, electronic equipment production, publishing and printing, and communications-equipment production were focused in BTHMA, forming strong industrial clusters in the above mentioned fields.

3.2.4. Opportunities Directly Related to Entrepreneurship

Thanks to the release of entrepreneurial spirit during past decades, China enjoyed a high speed

economic development. However, in the face of rich entrepreneurship opportunities, constraints and obstacles still persist in the realization process of entrepreneurship.

The financial support is still weak and could not fully satisfy the entrepreneurial demand, the small entrepreneurs' access to formal financial services are still restricted for some reason. Non-financial intermediary services are in short supply, especially in entrepreneurship education and training, research and development. The entrepreneurship capability is another problem in consideration. The fair play in market access is still to be improved. Investment for entrepreneurship from public domain is in severe shortage, the venture capital investment amount only to 0.02% of GDP in 2008. And to be ready for the fierce global competition, the domestic entrepreneurs urgently need to improve their entrepreneurship and management capability.

Within the framework of necessity-driven and opportunity-driven entrepreneurship, most of current entrepreneurial adventures could be classified into the former. Most entrepreneurs displayed a passive type of entrepreneurship, in particular in the level of innovation capability. For example, only 0.03% of domestic enterprises own independent intellectual property rights. More than 99% of entrepreneurial businesses didn't apply for patents and more than 60% doesn't own a trademark. It can be said that the current entrepreneurial activity that supported China's economic growth are still at a relative low level.

The constraints and obstacles leave great space for the involvement of foreign investment. For example, technological cooperation besides capital investment will be highly welcomed in certain industries. And FDI in the venture capital funds are also encouraged by the policy. The introduction of foreign capital could also greatly shorten the process of transformation from necessity-driven and opportunity-driven entrepreneurship.

In addition, according to the WTO agreement, substantial reduction of import tariffs for industrial and agricultural products and official approval for foreign companies to participate in the domestic distribution system and a number of important industries such as telecommunications and construction implies new opportunities in international trade and investment. In the financial services market, China has also agreed to gradually allow branches of foreign banks operating in more areas, and engage in RMB Business.

Chinese policy-makers attached much more importance to high-growth entrepreneurial activity and use this criterion when it comes to the selection of supported objects. At present, the Government is making efforts in improving the policy support system for entrepreneurs. The policy considerations covered industrial policy, the ownership policy, tax policy, financial policy. Support in taxation, financial, industrial, and commercial, etc. differs in different regions. At the same time, the employment policy also embraced entrepreneurship supporting considerations. When it comes to FDI policies, the foreign capital will be suggested to be more focused on optimizing the industrial structure

and quality upgrading.

4. Conclusion

Entrepreneurial activity has become the main driving force of China's economic development. The cultivation and promotion of entrepreneurship will help to maintain economic vitality and economic prosperity and reduce employment stress. For entrepreneurs from all over the world, China's domestic economic development provided great spaces for the fulfillment of entrepreneurship.

With the transformation of the types of Chinese enterprises from necessity-driven to opportunity-driven entrepreneurship, the contribution of entrepreneurial activity will keep on growing. Entrepreneurship will be able to deliver innovative products, innovative technology, more exports, more jobs, and will help meet domestic demand, reduce job stress, increase employment, and eventually, maintain regional and global economic prosperity.

To tackle current international financial turmoil and economic downturn, the global community should have the foresight to guide the transfer of savings and capital into the field that will bring future growth - in other words, the private enterprise sector. In this process, the participation of foreign capital will be conducive to more effective functioning of this economic growth mechanism. As for foreign investors, the prosperity of entrepreneurship in China brings unprecedented opportunity.