

> Thursday, September 22nd, 2022

12:00 - 13:30

IFLAME RESEARCH SEMINAR

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ABSTRACT

‘LIBERALIZATION OF FDI IN CHINA: IMPACTS ON STRUCTURAL TRANSFORMATION, MARRIAGE, AND FERTILITY’

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Over the past three decades, China experienced a dramatic expansion of foreign direct investment (FDI) inflows as its economy increasingly integrated with global markets. Despite the salience of FDI in China’s economic transformation during this period, there is still little high-quality evidence on how FDI stimulates structural change by shifting productive factors out of agriculture, or how such changes affect major demographic trends. In this paper, we construct a shift-share measure of FDI regulations at the county level by combining newly coded data on FDI policy changes at the industry level with the initial industry composition. Using five waves of Chinese census data from 1990 to 2015, we find that counties more exposed to FDI liberalization experienced a significant relative decline in the share of agricultural employment, and a corresponding increase in the shares of manufacturing and service employment. These employment shifts were similar for men and women in magnitude. Linking employment shifts induced by FDI policy shocks to marriage and fertility, we find that these shocks reduce the shares of married women and men and decrease the average birth rate and the share of women with children. These effects are concentrated among women entering their prime child-bearing years at the peak liberalization, and back-of-the-envelope calculations suggest that FDI liberalization accounts for 20% of the overall decline in the share of women with children. Our findings highlight that while FDI policies can create better employment opportunities for women, they may also induce further declines in marriage and fertility rates.



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