Abstract: Foreign Direct Investment (FDI) has played an important part in China’s economic development since the reform and opening-up, with China’s huge market potential being the major attraction. FDI not only brings advanced technology, but also great spillover effect on domestic enterprises. The paper decomposes FDI’s technical effect into two categories: direct technology injection and technology spillover. Then based on the endogenous growth model, this study introduces variables such as human resource, domestic innovation, and degree of openness to establish the optimal fitting model for the east, middle and west areas of China separately. The empirical analysis results indicate that FDI does promote China’s technical progress, but has apparent regional effect. FDI’s direct injection effect is positive in the east and middle, negative in the west; while technology spillover effect is insignificant in the east, but positive in the middle and west through labors of higher education and secondary education respectively.

Keywords: FDI; Regional Technical Progress; Technology Injection; Technology Spillover