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ARTICLES

Foreign Direct Investment and Host Country Corruption: Preliminary Evidence from China

HONGYING WANG AND XUEYI CHEN

While there is a robust and influential literature on the impact of host country corruption on foreign direct investment (FDI), we know almost nothing about if and how FDI affects host country corruption. This is surprising, given the growing interest and understanding regarding the consequences of economic globalization. This paper explores this question, drawing evidence from China. It shows that FDI does have an impact on host country corruption and that the nature of the impact varies depending on the type of FDI.

Heterogeneity of Firms and Spillovers: The Case of Foreign Direct Investment in the Chinese Manufacturing Industry

CHENGQI WANG, LI YU, AND CHANGBIAO ZHONG

Using industry-level data of Chinese manufacturing for 2002, this paper examines the productivity effect of foreign direct investment (FDI) on locally owned enterprises by taking into account the role of heterogeneity of both foreign and local firms. A significant contribution of the study is the finding that Western firms generate more spillovers than do overseas Chinese firms. Furthermore, the study finds that spillovers arising from the presence of Western firms are stronger in industries with a moderate technology gap between foreign and local firms, supporting the “technological accumulation hypothesis.” The results also reveal that the effects of Western FDI accrue only to domestic-market-oriented local firms, and not to export-oriented local firms. These findings have important policy implications.

Subnational Location Strategies of Multinational Enterprises in China: Pearl River Delta vs. Yangtze River Delta

YUE WANG

There is now substantial research on a variety of topics related to multinational enterprise (MNE) strategy in China, but there are relatively few studies on MNE location choice within the country. A limited number of empirical studies on MNE location strategy in China treat the country as a unitary market, neglecting the impact of significant diversity among the vastly heterogeneous regions at the subnational level. This paper fills a gap in our knowledge with respect to MNEs' location choice between China's two leading regions that attract foreign direct investment (FDI)—the Pearl River Delta (PRD) and the Yangtze River Delta (YRD). The findings from a comparative study of twenty cases show that while economic and institutional variables were important in attracting FDI, it was ultimately the match between the heterogeneous nature of entering firms and the region-specific location characteristics that determined the choice between the PRD and the YRD.

RESEARCH REPORT

The Business Strategies Adopted by Taiwanese Electronics Manufacturers in China

CHIEN-HSUN CHEN AND HUI-TZU SHIH

This paper utilizes the concept of external network linkage from industrial network theory as the theoretical basis for analyzing the business strategies of Taiwanese companies operating in China. The business strategies adopted by those Taiwanese electronics manufacturers investing in China have tended to result in the parent company in Taiwan being obliged to shoulder additional logistics management functions. The parent company has responsibility for the enterprise's overall financial, operational, R&D, marketing and purchasing activities. As the China subsidiaries of Taiwanese enterprises grow, they will tend to source more of the components and materials they need locally.