Index

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) 46
Agreement on Trade-Related Investment Measures (TRIMs) 46
agriculture 176
Anderson, J. 92
arbitrage 19
Association of South-East Asian Nations (ASEAN) 46
ASEAN-China Free Trade Area (ACFTA) 128
as source of FDI in China 9, 156, 160
attractiveness index of China’s provinces 145–8
audio-visual services 49
Australia: investment intensity 163, 168, 170
Bannister, G. 168
Bechdolt, B. 92
Bermuda 160
Blomstrom, M. 195
Braga, C. 168
Brown, A. 161
Buck, T. 253
Buckley, P. 20, 21, 218
build-operate-transfer (BOT) 50
business plans: abolition of business plan filing 56
capital formation, foreign direct investment (FDI) and 13, 14, 18, 214–16
capital intensity 199–206
Casson, M. 20, 21
Caves, R. 19, 20, 167, 168
Cayman Islands 6, 9, 156, 160
Chantasasawat, B. 115
Chen, C. 116, 218, 251
Cheung, K. 253
China
Economic and Technological Development Zones (ETDZs) 38–9, 41, 42, 135
tax incentives for FDI 71
economic growth, see economic growth and development
foreign direct investment (FDI) in 1, 16–17
future prospects 282–7
growth of 4–7
outward FDI 129
policy implications of study 31–2, 278–82
reasons for study of 1–4
summary of study 31–2, 266–78
see also individual topics
political environment 2
Special Economic Zones (SEZs) 4–5, 36–41, 45, 51, 135, 141, 149
tax incentives for FDI 69, 71, 78
Coca-Cola 21
country credit rating, location determinants of FDI and 107, 122
country risk
location determinants of FDI hypothesis on 98–9, 107
Cravino, J. 116
credit rating, location determinants of FDI and 107, 122
empirical model and variable specification 117–20
implications for future 128–30
literature review 115–17
## Index

results of study 120–23
Asian developing countries 123–7
culture 197
intensity of investment and 164–5,
166, 167–8
currency, see foreign exchange

Deardorf, A. 92
decentralization 285
Dees, S. 218
demonstration effects 253
Deng Xiaoping 5, 33–4, 35, 38, 41, 136
developing countries 2, 3, 8, 9, 18,
25–6, 52, 86–8, 183–4
employment creation in 14–15
impact of Chinese FDI on, see
impact of Chinese FDI infl ows
on other developing countries
location determinants of FDI, see
location determinants of FDI
distance, see geographical distance
distribution sector 49
Drysdale, P. 161
Dunning, J. 19, 20, 21, 22, 26, 90, 92,
106, 149, 271

East Asia Analytical Unit (EAAU) 159
Economic and Technological
Development Zones (ETDZs)
38–9, 41, 42, 135
tax incentives for FDI 71
Economic Development Zones (EDZs)
42
economic growth and development 2,
129, 213, 229, 269
contribution of FDI 13–14, 18, 30,
calculation 227–9
capital formation 13, 14, 18,
214–16
creation of employment 14–15,
216
exports 15, 250–54
framework of analysis and
empirical model 219–21
policy implications 281–2
regional impacts 224–7, 230
regression results and explanations
223–9
variable specification and data
221–2
see also spillovers
location determinants of FDI
hypothesis on 97, 106, 122, 138
stimulus package 285
economic policies, see policy reforms
in FDI
economic security, promotion of 63–4
Eichengreen, B. 116
employment
FDI and creation of 14–15, 216
manufacturing sector 179–80
energy supply, location determinants
of FDI hypothesis on 140
environmental protection 62
equity joint ventures 50–51, 53, 63
tax incentives 68
European Union (EU): as source of
FDI in China 9, 156
excessive FDI infl ows 108–11, 268
exports
adjustment in export-oriented policy
62–3, 282
management of foreign exchange
and export of domestic
products 65
removal of mandatory export
requirement 56
spillovers and 31, 249–50, 263–5,
277–8, 282
data and variable definition 254–6
empirical results 260–63
methodology and model
specification 256–60
theoretical explanation and
empirical evidence 251–4
factor costs, location determinants of
FDI hypothesis on 97–8
financial crises 6, 32, 282–3, 286
foreign country affiliates (FCAs) 29,
174, 187, 207–9, 272–5
capital intensity and labour
productivity 199–206
investment patterns 187–94
market orientation 198–9
type of entry 194–8
foreign direct investment (FDI) 1
China 1, 16–17
Index

future prospects 282–7

growth of 4–7

policy implications of study 31–2, 278–82

reasons for study of 1–4

summary of study 31–2, 266–78

see also individual topics

Confidence Index 77

theory of 18–22

implications of existing theory for present study 22–7

foreign exchange

management of 64–5

domestic sales of sophisticated products 65

export of domestic products 66

foreign exchange adjustment 65

foreign exchange swaps 67–8

government assistance 66

import substitution 66–7

mortgage on foreign exchange 66

reinvestment of RMB profits 65

pressure for reforms on China’s policy 286

requirements 55

France: as source of FDI in China 9, 156

future prospects

crowding out effects of Chinese FDI 128–30

foreign direct investment (FDI) in China 282–7

Garnaut, R. 161

geographical distance

intensity of investment and 164, 166, 167

remoteness as location determinant of FDI 99–101, 107, 122

Germany: as source of FDI in China 9, 156

global perspective on foreign direct investment (FDI) in China 7–8, 86–9

global taxation systems 75–6

government and the state

assistance with foreign exchange 66

political system 2

state-owned enterprises 6, 35

see also policy reforms in FDI

gavity model 27, 91–3, 252

Great Leap Outward 35

Guisinger, S. 74

Hong Kong 17, 25, 29, 30, 36, 128, 197

as source of FDI in China 6, 9, 40, 74, 156, 158–9, 160, 173

investment intensity 162, 169

Hu, X. 252

Hua Guofeng 35

human capital 13, 220

location determinants of FDI hypothesis on 99, 107, 140

Hymer, S. 19–20, 21, 22

impact of Chinese FDI inflows on other developing countries 28, 85, 89, 112, 114–15, 130–31, 268

empirical model and variable specification 117–20

implications for future 128–30

literature review 115–17

results of study 120–23

Asian developing countries 123–7

import substitution 66–7

incentives for FDI

round-tripping incentives 159–60

taxation 37, 38–9, 68–78, 278–9, 285

India 126

Indonesia 126, 162

industrial policies 59–61

adjustment in export-oriented policy 62–3, 282

promotion of coordinated regional development 63

promotion of national economic and spiritual security 63–4

promotion of upgrade of industrial structure 61–2

protection of environment and conservation of resources 62

informal relationships 6

infrastructure, location determinants of FDI hypothesis on 139

insurance industry 49

intellectual property rights 46, 170, 279–80

intensity of investment 161–3, 171–2, 270–71

determinants of 163–5
empirical analysis and explanations 166–71
internalization theory 20–21
International Labour Organization (ILO) 179
International Monetary Fund (IMF) 68
international trade
intra-industry trade 252
management of foreign exchange and export of domestic products 65
import substitution 66–7
trade deficit 35
see also exports
intra-industry trade 252
Japan: as source of FDI in China 9, 156, 160, 173
investment intensity 163, 168, 170
Kindleberger, C. 20
knowledge spillovers 253
Kojima, K. 161
Korea, South 25, 37, 109, 126, 128, 192
as source of FDI in China 9, 40, 160, 173
investment intensity 162
labour productivity, see productivity
Lall, S. 115
Lardy, N. 252
law and legal system: development of FDI laws and regulations 50, 78–9
first phase (1979–1989) 50–53
third phase (2000 onwards) 55–9
Leamer, E. 91
Lever-Tracy, C. 159
Levinsohn, J. 255
Li, Y. 252
Linnemann, H. 91
Liu, X. 252
local taxes, incentives for FDI and 69, 70, 75
location determinants of FDI 17, 27, 28, 85–6, 111, 130, 267
empirical model and variable specification 102–3, 141–3
framework of analysis and model 91–5
hypotheses 95, 111–12, 137
country risk 98–9, 107
degree of development 96–7, 106
economic growth 97, 106, 122, 138
energy supply 140
factor costs 97–8
geographical location 140
level of FDI stock 101, 107
market size 96, 106, 137–8
openness 101–2, 107, 122, 139
policy factors 140–41
quality of human resources 99, 107, 140
 remoteness of location 99–101, 107, 122
telecommunications provision 139
transport infrastructure 139
wages 97–8, 106–7, 138
inward attractiveness index of China’s provinces 145–8
problem 89–91
regression results and explanations 103–8, 143–5
Lundan, S. 19
Lundgren, N. 20
Ma, A. 253
Ma, Y. 252
Macao 74, 128, 197
Malaysia 126, 162
manufacturing sector
employment in 179–80
FDI in 10–11, 12–13, 173–5, 206
changes in structure of FDI firms 182–7, 206–7
comparison of overseas Chinese and foreign country affiliates 29, 174, 187–206, 207–9, 272–5
increasing importance of FDI firms 180–82, 206
rapid expansion phase 177–80, 206
market orientation
comparison of overseas Chinese and foreign country affiliates 198–9
exports and 262–3
market-oriented FDI 24–5, 101–2
market size, location determinants of FDI and 96, 106, 137–8
Markusen, J. 167
Melitz, M. 258
Mercereau, B. 116
mergers and acquisitions (M&As) 50, 57, 58, 170, 285
mining sector 176
monopolies, prohibition of 58–9
Morck, R. 196
motor vehicle industry 48
multinational enterprises (MNEs) 19–20, 74, 217
comparison of overseas Chinese and foreign country affiliates 29, 174, 187, 207–9, 272–5
capital intensity and labour productivity 199–206
investment patterns 187–94
market orientation 198–9
type of entry 194–8
mutual dependence 126
national treatment 278–9
Netherlands: as source of FDI in China 9, 156
New Zealand: investment intensity 163, 168, 170
Niedercorn, J. 92
OLI framework 21–2, 26, 90, 92, 149, 271
openness
location determinants of FDI hypothesis on 101–2, 107, 122, 139
openness to FDI after WTO accession 46, 111, 158
overseas Chinese affiliates (OCAs) 29, 174, 187, 207–9, 272–5
capital intensity and labour productivity 199–206
investment patterns 187–94
market orientation 198–9
type of entry 194–8
overseas Chinese investments 74
Pakistan 126, 128
Petrin, A. 255
Philippines 162
policy implications of study 31–2, 278–82
policy reforms in FDI 27, 33, 78–9, 264–5, 266–7
background 33–6
development of FDI laws and regulations 50, 78–9
first phase (1979–1989) 50–53
third phase (2000 onwards) 55–9
general commitments 46–8
increasing openness to FDI after WTO accession 46, 111, 158
industrial policies 59–61
adjustment in export-oriented policy 62–3, 282
promotion of coordinated regional development 63
promotion of national economic and spiritual security 63–4
promotion of upgrade of industrial structure 61–2
protection of environment and conservation of resources 62
location determinants of FDI and 140–41
nationwide implementation of opening policies 41–6
sectoral commitments 48–50
tax incentives for FDI 37, 38–9, 68–78
uneven regional opening policies to FDI 36–41
political system 2
portfolio investment 19
product cycle hypothesis 20
production networks 126
productivity 199–206, 219
spillovers and 30–31, 232–4, 247–8, 277
data and variable definition 237–42
estimation results and interpretations 245–7
mechanism of horizontal technology spillovers of FDI 234–7
prohibition of FDI 279
property rights 159–60
intellectual property rights 46, 170, 279–80
provincial distribution of FDI, see regional distribution of FDI
regional distribution of FDI 8, 28, 42, 133–7, 149–51, 269–70
inward attractiveness index of China’s provinces 145–8
location determinants, see location determinants of FDI
promotion of coordinated regional development 63
provincial characteristics and FDI location decision 132–3
regional impact of contribution of FDI to economic growth and development 224–7, 230
uneven regional opening policies to FDI 36–41
west development strategy 43, 44–5
regulation of FDI 50, 78–9
first phase (1979–1989) 50–53
third phase (2000 onwards) 55–9
relative performance in attracting FDI 108–11, 112
remoteness, location determinants of FDI hypothesis on 99–101, 107, 122
research and development (R&D) 253, 256, 285
Resmini, L. 116
resource conservation 62
restriction of FDI 279
round-tripping 6–7, 159–60
Samoa 6, 9, 156
scale economies 20
sectoral distribution of FDI 10–13, 29, 42, 174–6
industrial policies 59–61
adjustment in export-oriented policy 62–3, 282
promotion of coordinated regional development 63
promotion of national economic and spiritual security 63–4
promotion of upgrade of industrial structure 61–2
protection of environment and conservation of resources 62
sectoral commitments in FDI policies 48–50
see also manufacturing sector; service sector; technology sector
service sector 175
FDI in 170, 175
Siedschlag, I. 116
Singapore 25, 128, 192
as source of FDI in China 9, 156, 160, 173
investment intensity 162
sophisticated products 65
source countries of FDI in China 8–10, 28–9, 155–6, 171–2, 173, 270
composition of FDI sources 156–60
investment intensity of source countries in China 161–3, 171–2
determinants of investment intensity 163–5
empirical analysis and explanations 166–71
investor differences 17–18
policy implications 280–81
Special Economic Zones (SEZs) 4–5, 36–41, 45, 51, 135, 141, 149
tax incentives for FDI 69, 71, 78
special purpose vehicles (SPVs) 58
spillovers 18, 26, 219, 220, 223, 230
exports and 31, 249–50, 263–5, 277–8, 282
data and variable definition 254–6
empirical results 260–63
methodology and model specification 256–60
theoretical explanation and empirical evidence 251–4
knowledge 253
productivity and 30–31, 232–4, 247–8, 277
data and variable definition 237–42
estimation results and interpretations 245–7
mechanism of horizontal technology spillovers of FDI 234–7
methodology and model specification 243–5
spiritual security, promotion of 63–4
state, see government and the state
Stern, R. 91
summary of study 31–2, 266–78
Sun, S. 253
swaps: foreign exchange swaps 67–8
Swedenborg, B. 20
Taiwan 25, 37, 74, 109, 126, 128, 197
as source of FDI in China 9, 17, 29, 30, 36, 38, 40, 70, 74, 159, 160, 173
investment intensity 162
Tang, S. 218
tariffs 46, 159
tax havens 6, 9, 159
taxation 7, 159, 160
incentives for FDI 37, 38–9, 68–78, 278–9, 285
technology sector 11–12, 13, 35, 170, 180, 184, 185, 189–91
tax incentives for FDI 69
telecommunications industry 48
provision of telecommunications and location of FDI 139
Thailand 128, 162, 192
theory of FDI 18–22
implications of existing theory for present study 22–7
Tinbergen, J. 91
Tong, H. 116	
tourism sector 49
trade, see international trade
transaction costs 21
transfer pricing 70
transit investment 160
transport infrastructure, location determinants of FDI hypothesis on 139
Tse, D. 252
Tuan, C. 218
United Kingdom: as source of FDI in China 9, 156
United Nations Conference on Trade and Development (UNCTAD) 145–6, 159
United States of America: as source of FDI in China 9, 156, 160, 173
investment intensity 163, 168, 170
van Wincoop, E. 92
Vernon, R. 20
Virgin Islands 6, 9, 156
Vu, T. 218
wages, location determinants of FDI hypothesis on 97–8, 106–7, 138
Wang, C. 115
Wei, S. 218
Whalley, J. 218
World Trade Organization (WTO) 1, 2, 6, 50, 136, 170, 175, 249
increasing openness to FDI after WTO accession 46, 111, 158
Wu, Y. 221
Xiao, G. 159
Xin, X. 218
Yeung, B. 196
Yu, J. 252
Zejan, M. 195
Zhang, K. 218
Zhao, W. 252
Zhao Ziyang 40
Zheng, P. 253
Zhou, Y. 115