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Japanese, Korean, and Taiwanese Company Business Location Decision Making

An Economic Analysis and Comparison

Speaker

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Abstract

Upon joining the WTO in 2001, China, in addition to experiencing a high level of growth, also saw an increase in foreign investment. However when disaggregated to the provincial level, there is a large difference in growth. Indeed, just the areas surrounding Shanghai, Jiangsu, Zhejiang, represent 35% of foreign direct investment (FDI). If Guangdong and Shandong provinces are considered as well, it represents 61% of total FDI. In this way, China's post-WTO investment environment has seen a radical increase, but the fact remains that foreign companies investing in China demonstrate a high level of agglomeration as before.

In particular the case of Japanese, Korean, and Taiwanese companies (representing the 2nd, 5th, and 6th largest FDI contributors, respectively) demonstrate a strong agglomerative tendency. Japanese companies agglomerate around the Beijing/Tianjin Delta, Shanghai/Chiang Jang Delta and the Guangzhou/Zhu Jiang Delta Korean companies agglomerate around Liaoning/Shandong. Finally, Taiwanese companies are shifting from Guangdong to Jiangsu. Given this, what are the main factors that affect location decision making in companies from each country? In this thesis, by evaluating location decision factors for companies entering China on a provincial basis, this paper will attempt to analyze the location factors, and the efficiencies surrounding an international production network. In addition, by looking at other Asian cultures within China by area, this analysis will look at whether there are differences between the areas and if so, what kind of impact does this have on these areas.

In analyzing the above, this paper will show that there is a strong tendency towards agglomeration by Japanese, Korean and Taiwanese firms. In the Midwest of China it seems to be difficult to increase FDI as has been done in the Eastern regions. Indeed, it might even be the case that this FDI-influenced Eastern agglomeration could accelerate regional differences within China. Lastly, through an economic analysis, this research hopes to contribute to the growing discussion around Asian region international in respects to policies for attracting foreign firms and policies for improving inter-regional differences.

Commentator

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