The Institute of Southeast Asian Studies (ISEAS) was established as an autonomous organization in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the many-faceted problems of stability and security, economic development, and political and social change.

The Institute's research programmes are the Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), Regional Social and Cultural Studies (RSCS), and the ASEAN Transitional Economies (ATEP).

The Institute is governed by a twenty-two-member Board of Trustees comprising nominees from the Singapore Government, the National University of Singapore, the various Chambers of Commerce, and professional and civic organizations. A ten-man Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute's chief academic and administrative officer.
FDI IN CHINA
AN ASIAN PERSPECTIVE

Yasheng Huang

THE CHINESE UNIVERSITY PRESS
Hong Kong

INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore
Contents

List of Tables vii

List of Figures ix

Acknowledgements xi

Abbreviations xii

Chapter 1 Introduction 1

Chapter 2 China's FDI Performance from an Asian Perspective 9

Chapter 3 Explaining China's FDI Performance 29

Chapter 4 Evaluation 53

Chapter 5 Implications 78

Bibliography 91

Index 99

About the Author 105
List of Tables

1.1 Shares of Global Inward and Outward FDI Flows 2
2.1 Cumulative FDI Flows, 1988–92 19
2.2 Ratios of the Annual Average FDI Inflow for Two Periods 19
2.3 Share of FDI Inflows in GDC Formation 21
2.4 Estimates for the Share of Foreign-Invested Enterprises of the Total Domestic Sales and of the Number of Firms 25
2.5 Cumulative Financial Flows: Shares of Four Types of External Financing 26
3.1 Concentration Ratios of Investing Countries 32
3.2 Indicators of Inward and Outward Development Strategies 42
3.3 Protection and Import Liberalization on Finished Vehicles in Korea and China 45
4.1 Regression Estimates 60
4.2 Round-tripping FDI under Three Assumptions 62
5.1 U.S. Trade Deficit and U.S. Import Growth 81
List of Figures

4.1 Growth Rates of Chinese Capital and Inflows from Hong Kong and Macao, and from ASEAN, 1986–94 58

4.2 Growth Rates of Chinese Capital Outflows and FDI Inflows from the United States and Japan, 1986–94 59
I wish to acknowledge support and encouragement from Professor Chan Heng Chee, former director of the Institute of Southeast Asian Studies (ISEAS). She hosted my stay as a research fellow at ISEAS in December 1995. I also wish to thank Drs. Carolyn Gates and Ng Chee Yuen, both at ISEAS, and Professor Tan Kong Yam at the Business School of the National University of Singapore for discussions and sharing their research. For this book, I received financial and logistical support from ISEAS and the Center for International Business Education at the University of Michigan Business School. This work draws from my project on China’s integration into the world economy, which has been supported by grants from the Social Science Research Council, the MacArthur Foundation, and the U.S. Institute of Peace. Thanks also to Nancy Hearst at Harvard University for proofreading the text. I also would like to thank Kaja Sehrt and Caroline Kim, both at the University of Michigan, for their excellent research. All errors, however, are those of the author alone.
Abbreviations

ASEAN  Association of Southeast Asian Nations
BJC    Beijing Jeep Corporation
BKPM   National Investment Governing Board
CASS   Chinese Academy of Social Sciences
CITIC  China International Trust and Investment Corporation
CPE    Centrally-Planned Economies
EASA   East Asia and Southeast Asia
EIU    Economist Intelligence Unit
FDI    Foreign Direct Investment
FIE    Foreign-Invested Enterprises
HKMC   Hong Kong and Macao
IPR    Intellectual Property Rights
MNCs   Multinational Corporations
NIEs   Newly Industrialized Economies
PECC   Pacific Economic Co-operation Council
RMB    Renminbi
SEZs   Special Economic Zones
SOEs   State-Owned Enterprises
SPC    State Planning Commission
SSB    State Statistical Bureau
UNCTC  United Nations Centre on Transnational Corporations
WTO    World Trade Organization