Effects of Ownership on Exports and FDI: Evidence from Chinese Firms

Ryuhei Wakasugi
Kyoto University and Yokohama National University
and
Hongyong Zhang
Kyoto University

Abstract

The standard model in the literature indicates that heterogeneity in productivity and fixed costs is the key in determining firms' internationalization. However, few studies have considered the effect of ownership structure on firms' exporting and FDI. This study examines how differences in productivity and ownership structure affect the exporting and FDI of Chinese firms with different types of ownership: privately owned firms, state-owned (SOE) enterprises, and foreign affiliates. Using our original dataset of Chinese firms, our statistical estimations yield several new findings. We find that privately held and SOE firms must be highly productive to engage successfully in both exporting and FDI, whereas foreign-owned firms need relatively little productivity to be successful exporters and foreign direct investors. We also find that the interaction between the mode of ownership and experience with exporting and FDI has heterogeneous effects on expanding FDI. For privately owned and state-owned Chinese firms, experience with exporting and FDI has a stronger effect on expanding FDI than on foreign-owned firms.

Keywords: productivity; ownership; export; FDI; privately owned firms; state-owned enterprises; foreign-owned firms
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