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Entry Mode of Chinese Multinational Enterprises in Taiwan: The Strategic Motivation*

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China's outward foreign direct investment (OFDI) is biased towards Asian Developing Countries. And Chinese Multinational Enterprises also is increasing investment in Taiwan since signing and implementation of investment-related regulations cross-strait. The purpose of this study is to examine the strategy motivation related OFDI entry mode choice between wholly-owned subsidiary and joint venture by Chinese enterprises that invest in Taiwan during 2009~2011, using the Logistic Regression Model. We find that Chinese enterprises are more like to invest in Taiwan by wholly-owned subsidiary entry mode, if they intend to seek the complementary strategic assets, the global strategy motivation, the investment projects meet the key industries of 11th Five-Year Plan. Otherwise, Chinese enterprises with seeking Taiwanese industrial growth opportunities and investment projects in line with 12th Five-Year Plan are more likely to choose joint ventures as entry mode in Taiwan. Our interview cases show that Shanghai's software enterprises chose the WOEs of entry mode to invest in Taiwan for seeking advantage technologies and human resources in host country. This result provide the important implications for investment policy of host countries, the advantage technologies and human resources of competitive industries and growing industries that be in conformity with Chinese 12th Five Year Plan.

JEL Codes: F23

Keywords: Chinese MNE, Entry Mode, Strategy Motivation, Wholly-owned subsidiary, Joint ventures

1. Introduction

Over the past three decades, successful Chinese economic transformations have demonstrated spectacular achievements, for example, two of the world's top banks are Chinese bank, and 61 Chinese enterprises step on the Global Fortune 500 ranking (World Bank 2012). Foreign Direct Investment (FDI) outflows from Hong Kong and China have been the largest sources among developing economies, and China has risen to 6th place as one of the largest source countries in the world in 2011[i]. Chinese Multinational Enterprises(MNE) have raised awareness of their home country as a source of investment through their active roles in a number of industries and the wide spread of their FDI projects over a large number of host economies. China ranked as the most promising sources of FDI in 2012-2014 (UNCTAD 2011, 2012).

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The crucial role of institutions as an incentive structure and as a driver of change in outward FDI, has been highlighted in the research of Chinese enterprises' in international expansion (Schuler-Zhou and Schuller 2009, Deng 2009). The main policies to encourage inward and outward Chinese FDI including the 'Open Door' policy in 1979, liberalizing restrictive policies since 1986, Deng Xiaping's journey to Southern China in 1992, 'Go Global' strategy initiated in 1999, and accession to WTO since 2001. The total numbers of the international investment regime are 229 in China, tops among the developing economies (UNCTAD 2012). The targeted Chinese enterprises were committed to transforming into modern MNE in which the state retained majority shareholding, and were offered various institutional supports, including fiscal incentives, assistance of government agencies, signing bilateral and regional treaties or agreements to protect investment or to avoid double taxation or to liberalize investment condition, and investment insurance, Chinese MNE have been expanding abroad rapidly. (Deng 2004, Deng 2007, Buckley, Clegg, Cross, Liu, Voss & Zheng 2007, Kolstad, Wiig 2009, Luo, Xue & Han 2010).

By the end of 2011, Chinese Enterprises had established more than 18,000 overseas enterprises, spreading in 177 countries globally, outward FDI stock volume accumulated to US$424 billion. The Heritage Foundation's China Global Investment Tracker contains Hong Kong as attracting almost two-thirds of investment—even though Hong Kong acts as a transit point for most investment (MOC 2012, Scissors 2011). As a latecomer, Chinese multinational enterprises are urgent to be engaged in strategic FDI to catch up with the global technology or acquire the world resources and market (Deng 2009). MNEs often invest in countries with common cultural and ethnic ties and heritage, Chinese investment in Central Asia; or with which their countries have historical links, Chinese investment in East Asia (UNCTAD 2011).

Taiwanese government has been aggressively attracting inward FDI, including Chinese enterprises and Taiwanese enterprises in Mainland China. Taiwan has taken several important steps to reduce barriers in foreign investment and to help improve the economic climate, such as opening cross-strait direct air transportation(Lau , Lei, Fu & Ng 2012); eliminating the minimum capital requirement and the minimum limit for the allocation of capital by foreign companies; revising three regulations to facilitate the increasing management needs of two-way banking, insurance, and securities and futures dealings across the Taiwan Strait; revising a series of related regulations and rules of governing permission and approvals with Mainland Chinese investment; opening more items to investment from China, including in the manufacturing, services industry, and public construction since 2009(CEPD 2010); decreasing in the corporate income tax rate from 25% to 17%, bringing Taiwan closely in line with Hong Kong and Singapore, the two most competitive economies in Asia (AmCham Taipei 2011)[ii]; and the opening of a large part of Taiwanese core high-tech business, including semiconductor manufacturing, to investors from Mainland China (UNCTAD 2012). Most notably, the Economic Cooperation Framework Agreement (ECFA)[iii] entered into China in 2010, resulted in an increasing number of Chinese Enterprises setting up business operations in Taiwan. In 2012, the signing of the Cross-Strait Investment Protection and Promotion Agreement between Taiwan and mainland China, formally established an institutionalized cross-strait mechanism that not only strengthens the protection of the lives and property of investors, but also serves as an enabling institutional factor in attracting greater inflows of investment from Chinese Enterprises to Taiwan (Yen 2012).

Though Chinese outward FDI and multinational enterprises has generated considerable interest and concern, few empirical studies have been conducted to test the motivation behind. There is by now a large literature on the host country determinants of FDI in general, which, if anything, suggests that FDI is attracted to countries with good institutions. Most of FDI is dominated by flows from developed economies, however, there is an emerging literature on FDI flows from emerging economies that suggests that these flows may differ from those of developed economies. A number of literatures of FDI related to China, focus on China as a location for FDI from other economies, rather than as a source of FDI. Few researchers have studied how strategic motivation impact on entry mode of Chinese multinational enterprises investing in emerging economies. We address the gap to examine the strategic motivation related OFDI entry mode choice between wholly-owned subsidiary and joint venture by Chinese enterprises that invest in Taiwan during 2009~2011. Moreover, we study entry mode with strategic motivation of two Shanghai enterprises by interview, for limitation empirical sample. We not only employ different database from Chinese FDI data reported by the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (SAFE), but also examine the role firm-specific characteristics, home-country industrial and institutional factors, and host-country industrial factors, playing in multinational Chinese enterprises.

This paper is structured as follows: Section 2, we first sketch the strategic intent of multinational enterprises, the motivation, State-Owned Enterprises and the entry mode of Chinese multinational enterprises. Section 3, we discuss the empirical strategy, data and the testable hypotheses relating to firms, industries and countries factors. The empirical results on the impact of institutions and assets seeking on entry mode of Chinese multinational enterprises are presented in Section 4. Section 5, we present implications of investment policy in host countries and conclude our analysis.

2. Literature Review

International business literature identifies strategic intent as one of the most important motivations for enterprises investing abroad (Rui and Yip 2008). Recent studies found that developing countries multinational enterprises did not conform to the traditional view of developed countries, while Multinational enterprises from developed economies were more likely to exploit competitive advantage at home countries. Multinational enterprises from emerging economies intend to balance asset exploitation and exploration of internationalization, and to use outward FDI as a platform to acquire strategic assets (Lu, Liu & Wang, 2010). Strategic assets referred to those resources and capabilities that were valued by the enterprises for their potential to contribution to competitive advantages, including reputation, buyer-supplier relationships, tacit knowledge, R&D capability, brand, knowledge, and proprietary technologies (Deng 2009, 2004) categorized the investment motivation of Chinese enterprises to invest overseas as investing for natural resources, technology, markets, diversification and strategic assets. The high profile acquisitions of IBM's personal computer business by Lenovo of China was one of example of seeking capabilities; immediately making Lenovo the third largest PC maker in the world, also acquiring IBM's brand, managerial teams, R&D centers and distribution networks (Bhaumik, Co 2011, Deng 2009) .Strategic behavior approach assumes that an enterprises' FDI entry mode choice serves their strategic behaviors, that is of particular relevance to enterprises in an emerging economy like China, as those enterprises go abroad in pursuit of various strategic purposes that could not be adequately interpreted by transaction cost theory (Cui & Jiang 2009).

There were two related core issues in Chinese outward FDI, the motivation and the role of state-owned enterprises (SOEs)[iv]. The significant influence of government has been identified as a striking feature of FDI by Chinese MNE, in shaping the structure of China's approved outward investment, particularly in the context of dramatic increase of the foreign exchange reserve (Deng 2004, 2007, Morck, Yeung & Zhao 2008, Luo, Xue & Han 2010). Bhaumik and Co (2011) have demonstrated that Chinese enterprises undertook large scale contracted projects in a number of countries, under overseas economic cooperation of Chinese state, even in regions of high risk (Fan & Zhu 2010).

The biggest source of outward FDI are from SOEs, and the largest FDI players are also from the most profitable SOEs. The four giant entities—the China National Petroleum Corporation (CNPC)[v] and the China Petrochemical Corp (Sinopec) of oil giant, the China Investment Corporation of sovereign fund[vi], and the Aluminum Corporation of China (Chinalco)[vii] of the metal industry with a sound financial position--account for about half of the foreign investments, made to focus on sectors such as energy[viii] and construction, by law to be dominant and even providing subsidies, in pursuit of market position, production flexibility, profitability, and synergy effects(Scissors 2011, Kang & Jiang 2010). Though Chinalco's failed strategic investment in Rio Tinto attracted worldwide attention, Chinese SOEs relentless effort to seek strategic behavior, general backed by Chinese state-owned banks, is raising challenges for FDI of mutual benefits. Yao and Sutherland and Chen (2010) proposed two propositions: First, the efforts of big Chinese enterprises make an effort to "go global" and undertake OFDI are part of the country's power-building and globalization strategy; the second, facilitated by extended protection from the state, reaching beyond China's national boundaries, Chinese large SOEs increase investment capital and take risks that their foreign competitors do not. A review of the entry mode of non-trade enterprises shows that Chinese MNEs have a preference for joint ventures with local firms, rather than wholly owned subsidiaries. Equity shares of 40-70% of joint venture are the most popular choice, particularly in the manufacturing and resource processing sectors; for banking and trade supporting investments, almost all cases are wholly-owned subsidiaries. Overseas Chinese investments were dominated by large SOEs, and key investment decisions, including location of overseas operations, were dictated with consideration towards political factors. For example, the decision to invest in Hong Kong's infrastructure was aimed at enhancing Chinese influence in Hong Kong (Deng 2004, BHAUMIK & CO 2011). According to the resource-based view, an enterprise's internationalization strategy and performance depend on the existence of unique tangible and intangible resources in home countries which afford some competitive advantage compared to the firms in the host country. Latecomer enterprises do not possess many intangible strategic resources relative to their global rivals, therefore are eager to access superior resources and technologies, in order to address the competitive disadvantages and improve global competitiveness. These enterprises plan to integrate their own advantages developed at home countries with other new assets available in foreign countries, where tangible and intangible foreign assets can usually be accessed through takeover, subdivision, or acquisition, which also includes purchasing entire knowledge system under a unified control (Schuler-Zhou & Schuller 2009, Deng 2007).

There is evidence to find that enterprises of developing economies tend to invest more in countries at similar stages of development, where developing economies can leverage their experience and competitive advantages acquired in home countries, and where they are more able to meet the price-quality expectations of consumers than rival enterprises of developed economies. The study on location determinants of Chinese outward FDI demonstrated some determinants positively associated with the size and low political risk of the host market, its cultural proximity and strong previous trade related to China, a sound institutional environment and its openness to FDI (BHAUMIK & CO 2011, Duanmu 2010). An idea that has recently been gaining increasing recognition is the necessity of studying not only how aggregate FDI responses to the attributes of host locations, but also the impact of strategic formulation at individual firm level, such as ownership structure, and capability (Duanmu 2010). A main problem with previous studies of Buckley et al. (2007) is that their data on FDI captures approved investment, rather than actual investment; their results are riddled with potential bias, as investment that is publicly approved may be of a character different from investment decisions that are less visible (Kolstad & Wiig 2010). Deng (2007) argued that multinational Chinese corporations are motivated primarily by the quest for strategic resources and innovative, however, the results were limited in advanced economies. To shed light on multinational Chinese enterprises in general, there is a need for more research on other investment motivations from different dimensions (Deng 2009).

3. Methodology and Data

Accurately describing the nature of China's investments abroad is a challenge (Salidjanova 2011). This study differs from previous literatures in two ways. First, prior studies on Chinese outward FDI employed statistical data are reported by the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (SAFE). Not only owing to the application of different methodology, do significant discrepancies exist. But also the official FDI statistics relates to the problems with the "round-tripping" of Chinese enterprises and capital flight. There are no official estimates on the extent of this phenomenon, but some studies suggest that such flows may account for up to 25% (UNCTAD 2007, Schuler-Zhou & Schuler 2009). The data of this study employ Taiwanese government databases. From the Taiwanese database of the Chinese Investor List of Investment Commission, Ministry of Economics, Taiwan in 2009, 2010 and 2011. Further to correct the Chinese investor list with the registered corporation list of the Department of Commerce, Ministry of Economic, Taiwan; Comprehensive Business Information Database, China Credit Information Services; Wisenews Database, Taiwan, and excluding some cases of incomplete data. This paper employs recent statistical data of Taiwanese government through repeated examinations on actual Chinese FDI flow with registered corporation, to provide more reliable results (Kolstad & Wiig 2010).

According to the Taiwanese government statistics databases, initially, 200 Chinese investment cases accumulated US$178.8million in Taiwan from June 2009 to November 2011: main industries ranking as Computers and Electronics 35%, information and communication industries 26%, and Wholesale and Retail 19%; investment size biased to small scale, 81% less than US$1million, 12% US$1~5miilion; main resources from Shanghai 31%, Peking 30%, Jiangsu 9%. Chinese enterprises prefer to invest in North Taiwan 75%, and Central Taiwan 23%. Most Chinese enterprises chose WOEs as their main entry mode, about 70%; JVs ratio about 30%.

Second, previous studies on Chinese outward FDI either focused on host country characteristic which may attract inward FDI only (Buckley et al. 2007), or examined the role of home-country factors (Deng 2009). Similarly, although prior studies emphasized that institutions shape the internationalization decisions of emerging market enterprises, the proposition is largely untested (Luo et al. 2010, Wang, Hong, Kafourox & Boateng 2012). Cui & Jiang (2009) investigated the determinants of FDI entry mode choice between a WOE and a JV by Chinese enterprises with a strategic behavior that invest overseas, however, the study neglected institutional factors. Our study examines firm-specific characteristics of the role including Investment Size(ISZ), Industries Structure(IST) and two case interview; industrial and institutional factors in home-country including Global Strategy (GBS) and National Planning Industries (EFP and TFP); and industrial factors in host-country including Host Industry Growth (HIG), Assets-Seeking (ASS) and Global Strategy (GBS), playing in multinational Chinese enterprises.

This study examine the strategy motivation related to the OFDI entry mode choice between wholly-owned subsidiaries and joint ventures by Chinese enterprises that invested in Taiwan during 2009~2011, using the Logistic Regression Model.

$$ENM = \beta_0 + \beta_1 HIG + \beta_2 ASS + \beta_3 GBS + \beta_4 EFP + \beta_5 TFP + \beta_6 ISZ + \beta_7 IST + \varepsilon$$

3.1 Hypotheses and Variable

Entry Mode(ENM): this study is to follow a 95% equity ownership as the cutoff point to differentiate between WOS and JV. A dummy variable takes the value of 1 to represent WOS and the value of 0 to represent JV. Then we use a binary logistic regression to analyze various independent variables and control variables influences on entry mode (Kuo, Kao, Chang &Chiu 2012).

3.2 Dependent Variables

(1) Host Industry Growth(HIG)

An appropriate FDI entry mode could help the foreign investing enterprise to achieve strategic fit in the industry environment of host economies. When the host industry present the advantage of high levels of competitive intensity with gross profit ratio, a WOS entry mode is more appropriate for investing enterprise to concentrate on its specific advantage and to strengthen its competitive position in the severe environment (Cui & Jiang 2009). Some Chinese service enterprises invested in Taiwan following expanded exchange across straits, seeking growth advantages related with travel and banking industries in Taiwan, such as China Southern Airline, and Bank of China particularly set up a Taipei office and a Taipei branch.

Hypothesis 1 The likelihood of Chinese enterprises entering in Taiwan by wholly-owned subsidiary entry mode will be lower when Chinese enterprises seek the host industry growth more actively.

(2) Assets-Seeking(ASS)

FDI has been used as a means for MNEs to tap into or develop strategic resources in a foreign market, and exploit such assets as market intelligence, production know-how, management expertise, patent, R&D, and reputation for being established in a prestigious market (Deng 2007).

For strategic asset seeking, however, the developed economies are the more attractive destinations. Chinese enterprises' location decisions in this motivation can be directly related to the learning perspective (Schuler-Zhou & Schuller 2009). Some Taiwanese enterprises could demonstrate market intelligence and supply management human resources, particularly in soft-ware and service industries, therefore some Chinese software enterprises invested in Taiwan, such as the largest ERP software group--Yonyou UFIDA and telecom services provider Huawei Technologies Company set up a Taiwanese branch office.

Hypothesis 2 The likelihood of Chinese enterprises entering in Taiwan by wholly-owned subsidiary entry mode will be higher when Chinese enterprises seek the strategic resources more actively.

(3) Global Strategy(GBS)

MNEs focus on a global competitive position, either to step up the global industries chain, or to increase the proportion of revenue, and foreign affiliates around the world by investing abroad. Taiwan owns the most advantages of production and OEM in information and communication technology in the world, and also have experienced the competition with counterparts from the worldwide. Some Chinese electronic manufacturers invested in Taiwan for semi-products, seeking to integrate in the global value chain. BOE Technology Group Co., express interest in establishing a strategic partnership with Taiwanese flat-panel makers' manufacturing technologies. Reality, BOE group has acquired the computer monitor and television operations of Taiwan-based Jean Co., which is a Tatung Group subsidiary and OEM/ODM manufacturer of visual display products, including a 100 percent stake in Jean's China subsidiary in 2010.

Hypothesis 3 The likelihood of Chinese enterprises entering in Taiwan by wholly-owned subsidiary entry mode will be higher when Chinese enterprises seek the global strategic more actively.

(4) National Planning Industries(EFP and TFP)

The five-year plan is the most important state policy of the Chinese State Council. Every 5 years since the 1950s, the planning of macroeconomics, social, and environmental goals and strategies, as well as forming the directional development of key industries in the future, was eventually endorsed by the People's National Congress, those plans play a crucial role in shaping China's development trajectory over the next decade (Li & Wang 2012, Zeng, Xue, Zhu & Ma 2012, World Bank 2012). To an institutional industrial level, key industries of the 11^{th} Five-Year Plan (EFP) and the 12^{th} Five-Year Plan (TFP) announced at the end of 2005 and 2010 individually, the projects attributing the newly industries with innovation and specificity such as renewable energy and modern service industries, adopting full equity ownership of the overseas subsidiary that grant Chinese MNEs the power to avoid potential opportunistic behavior of their partners (Chang, Kao, Kuo & Chiu 2012). But the key industries of 11^{th} Five-Year Plan acted from 2005, belonging to related mature products with widely available and well-known technology, used to catch the positive relationship with entry mode of JVs.

Hypothesis 4 The likelihood of Chinese enterprises entering in Taiwan by wholly-owned subsidiary entry mode will be higher when Chinese enterprises are more synchronized with their national planning project.

3.3 Control Variables

Investment size (ISZ): is the amount of the investment. By taking the log value, to measure how large or small the observed investment is. Large investments are required significant resource commitment from the home enterprises and affect its decision of entry mode (Kuo , Kao, Chang & Chiu 2012).

Industries Structure (IST): the entry mode may differ across industrial structures, either industry or service. A dummy variable take the value of 1 to represent industry sector and the value of 0 to represent service sector.

This study has only a small number of sample observations, through more critical data match processing. We try to study two Chinese software service enterprises specific factors from interview at Shanghai, since the enterprises specific factors potentially impact the decision of foreign investment (Bontempi & Prodi 2009). Shanghai enterprises were ranked about 31%, the largest of Chinese OFDI in Taiwan during 2009~2011, mainly investing in information software services.

4. Empirical Result

The study is to examine the strategy motivation related OFDI entry mode choice between wholly-owned subsidiary and joint venture by 81 Chinese enterprises that invested in Taiwan during 2009~2011, using the Logistic Regression Model. We find that Chinese enterprises are more likely to invest in Taiwan by wholly-owned subsidiary entry mode, if they intend to seek the complementary strategic assets, global strategy, and investment projects that meet the key industries of 11^{th} Five-Year Plan. Otherwise, Chinese enterprises want the Taiwanese enterprises partner with seeking Taiwanese industrial growth opportunities and investment projects in line with 12^{th} Five-Year Plan are more likely to choose joint ventures as entry mode in Taiwan. To institutional industries level, key industries of 12^{th} Five-Year Plan announced at end of 2010. The projects attributing to the newly established industries with innovation and specificity such as renewable energy and modern service industries, not adopting full equity ownership of the overseas subsidiary grant Chinese MNEs the power to avoid potential opportunistic behavior of their partners, perhaps related with restricted regulation or the growing industry in Taiwan (Chang, Kao, Kuo & Chiu 2012). The key industries of the 11^{th} Five-Year Plan acted from 2005, belonging to related mature products with widely available and well-known technology, used to catch the positive relationship with the entry mode of WOS.

Table 1: Regression Results

Explanatory Variables	Coeff.	Std. Err.	P-value
Industries Growth	-15.83858***	5.642780	0.0050
Strategic-Assets	2.875150**	1.427091	0.0439
Global Strategy	2.988122**	1.510353	0.0479
National Planning Industries(11th FYP）	2.210202**	0.960638	0.0214
National Planning Industries(12th FYP）	-4.103428**	1.649646	0.0129
Investment Size	4.55E-08	2.95E-08	0.1222
Industries Structure	-3.719571**	1.649968	0.0242

1. *p<0.1 ,**p<0.05 ,***p<0.01.

2. positive sign of estimated coefficient implied Chinese enterprises intend to entry mode of WOS, the negative sign implied Chinese enterprises intend to entry mode of JV.

Most studies used a quantitative approach based on secondary data, which show several shortcomings such as the main focus on large Chinese MNEs, macroeconomic level and industries level, excluding in-depth case-based analysis (Klossek, Linke, Nippa 2012) .Our interview cases of two Shanghai software consulting enterprises declared that the motivations, which are seeking assets strategic, based on Taiwanese industrial advantages of software technologies and human resources, intent to take new software technologies from Taiwan, and then offering the aforesaid to Chinese business customers. Both Chinese enterprises intend to recruit Taiwanese technologies experts for their future business, beside the attractive factors of common culture and language in the Taiwanese investment environment. These cases formed our hypotheses, chose the WOEs of entry mode to invest in Taiwan for assets seeking strategic.

5. Conclusion

This study may contribute to the initial study of Chinese enterprises in Taiwan. The findings not only highlight the importance of considering different strategic motivation in determinants of entry mode of Chinese outward FDI, but also have a number of implications for investment policies in newly industrial economies. Our empirical analysis confirms the importance of the strategic asset-seeking motivation and institutional industries with entry mode of Chinese enterprises in Taiwan. Deng (2007) used the strategic asset-seeking approach and supported by case study evidence, argued that a quest for strategic resources is the primary motivation behind Chinese MNEs' investment in advanced economies. Rui & Yip (2008) suggested that Chinese firms strategically use cross-border acquisitions to acquire strategic capabilities to offset their competitive disadvantages, and to leverage their unique ownership advantages for the use of institutional incentives and mitigation of institutional constraints. Deng (2009) also highlighted the importance of institutional constraints affecting merger and acquisition (M&A) strategy. Cheung & Qian (2009) investigated the empirical determinants of Chinese outward FDI, found that both market-seeking and resource-seeking are important motives to drive Chinese outward FDI. Wang et al. (2012) indicated that government support and the industrial structure of the home country plays a crucial role in explaining the outward FDI of Chinese firms. Kang & Jiang (2012) studied panel data of Chinese outward FDI to eight economies in East and Southeast Asia, found that institutional factors demonstrated a higher level of significance, complexity and diversity in determining FDI location choice in comparison with economic factors. Cui & Jiang (2009) argued that the FDI entry mode choice of a Chinese firm is primarily influenced by the firm's strategic fit in host industry and its strategic intent of conducting FDI; and suggested that a Chinese firm prefers a wholly owned subsidiary entry mode when it adopts a global strategy, faces severe host industry competition, a joint venture is preferred when the firm is investing in a high growth host market. We show that the advantageous technologies and human resources of competitive industries and growing industries that are in conformity with Chinese National Planning Industries, might be the one part of available key factors to attract emerging market enterprises. Our empirical results conform to the observations of Cui & Jiang(2009), who studied the FDI entry mode choice of Chinese firms.

However, some limitation could be improved in the future studies. The small number of sample observations, hardly prevents from including all the covariates simultaneously, or else the degrees of freedom required to estimate would be missing. It would be interesting to include other entry mode, such as merger and acquisition. The different institutional structure may influence entry mode of FDI, the variable indicating investment year related with legislation restrictions might be included. Firm specific factors potentially impact decision of foreign MNEs, more detail firm-level information such as capital structure derived from questionnaires or interviews is required (Bontempi & Prodi 2009, Wang et al. 2012).

Endnotes

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[i] Hong Kong ranked individually as the 4th large source of global FDI in 2011 (UNCTAD 2012)

[ii] The annual *Taiwan White Paper* is written and published by the American Chamber of Commerce in Taipei (AmCham). It includes an overall assessment of Taiwan's business climate, a review of the status of last year's priority issues etc.

[iii] When the ECFA took effect on September 12, 2010, the Cross-Straits Agreement on Intellectual Property Right Protection and Cooperation also went into effect. (ECFA Office 2010).

[iv] Chinese enterprises consist of state-owned enterprises (SOEs), which are owned directly by the central government or provincial or municipal governments, and non-state-owned enterprises, (NSOEs) which are owned by township or village government, and urban collective enterprises and private enterprises (Deng 2007). State-owned MNEs are defined as enterprises compromising parent enterprises and their foreign affiliates in which the government has a controlling interest (full, majority, or significant minority), whether or not listed on a stock exchange; control is defined as a stake of 10 % or more of the voting power, or where the government is the largest single shareholder. China owed the number of SOE MNEs reached 50 in 2010 (UNCTAD 2011).

[v] The number of CNPC's major foreign production locations reached 22 countries, spreading over Africa, Asia, America etc. (UNCTAD 2012).

[vi] China Investment Corporation, established in 2007 with a mandate to diversify China's foreign exchange holdings, and an active investor in energy, natural resources and infrastructure related assets, received

US$100-200billion in new funds in 2010; particularly investing US$1.5billion in AES Com, USA for electricity gas and water, and US$800million in Penn West Energy Trust, Canada for mining, quarrying and petroleum in 2010 (UNCTAD 2011).

[vii] Chinalco invested $14 billion in February 2008, approximately 9% of Rio Tinto's equity, had incurred more than $10 billion in paper losses in early 2009. However, Chinalco went on to agree with a further $19.5 billion injection in Rio Tino in February 2009, for helping to secure China's steel industry a secure, stable and cost-effective supply of iron ore, as well as to become a more truly global enterprises. In June 2009, Rio Tino withdrew from the deal and announced an alternative plan with its arch rival BHP Billiton(Yao and Sutherland and Chen 2010).

[viii] Chinese enterprises have been actively acquiring mineral assets abroad and extractive industries has accounted for well above 20% of FDI outflows in recent years.

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