

### **Partnership with Chinese producers helps boost productivity**

Foreign firms in China are much more likely to be successful if they set up in partnership with domestic producers, according to new research presented at an economic conference in Ningbo.

In a paper presented at the launch of GEP – the Globalisation and Economic Policy Centre – at the University of Nottingham Ningbo, Dr Alessandra Guariglia said joint ventures were more likely to be successful than wholly owned foreign enterprises.

She said: “Our research suggests that the most efficient and profitable firms are joint ventures. Foreign firms can introduce better technology and better management practices, but if they operate alone they miss out on the valuable contribution that local producers can offer – like political connections, knowledge of domestic markets and Chinese marketing expertise.”

Her findings were based on research on data from 21,582 Chinese firms between 2000 and 2005. The research showed that foreign ownership had a positive effect on productivity and profitability, but once foreign ownership reached beyond 64% productivity began to decline.

Dr. Saileshsingh Gunessee from the University of Nottingham Ningbo, said the research was timely as there has been a significant increase in the number of wholly owned foreign enterprises setting up in China.

He said: “In 2000 nearly half of the foreign investment in China was through joint ventures, now it’s less than a quarter. The high profile failure of some joint ventures, like the Danone-Wahaha deal, have given joint ventures a bad reputation, but this research suggests that these failures are the exception rather than the rule, and that foreign investors should look for partnerships with Chinese producers.”