



**Leverhulme Centre**  
for Research on Globalisation and Economic Policy



The University  
of Nottingham  
Ningbo, China

Press release

## Partnership with Chinese producers helps boost productivity

6 November 2008

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.”

### *The More the Better? Foreign Ownership and Corporate Performance in China*

#### Research paper authors

##### David Greenaway

David Greenaway is Vice-Chancellor (President) of the University of Nottingham, a Professor of Economics and the former Director of GEP. His research interests lie primarily in the fields of exporting and productivity, cross-border investment,

##### Alessandra Guariglia

Alessandra Guariglia is an Associate Professor and Reader in Economics at GEP. Her research interests include the economics of transition in China and the behaviour of firms in imperfect capital markets. She joined GEP in 2003.

##### Zhihong Yu

Zhihong Yu joined GEP as a Research Fellow in 2005 after completing his PhD at the University of Nottingham. His major research interests are China and the world economy, international economics and industrial organisation

### GEP in China

GEP – the Globalisation and Economic Policy Centre – is one of the major centres in the world studying the impacts of globalisation and economic policy.

The centre has an international reputation. Its academics have advised the WTO, the World Bank, the OECD and the Commonwealth.

GEP is based at the University of Nottingham in the UK and is substantially funded by grants from the Leverhulme Trust, one of Britain’s largest funders of education and research.

In November 2008 GEP opened in China at the University of Nottingham Ningbo. It also has a centre in Malaysia.

Website: [www.gep.org.uk](http://www.gep.org.uk)

#### For more information, contact:

Martin Stott, Bulletin PR  
Telephone: +44 (0) 115 922 8264  
Mobile: 07956 917 978.  
Email: [martin.stott@bulletinpr.co.uk](mailto:martin.stott@bulletinpr.co.uk)

or

Sue Berry, Centre Manager  
Telephone: +44 (0) 115 951 5469  
Email: [sue.berry@nottingham.ac.uk](mailto:sue.berry@nottingham.ac.uk)