

Birds of the Same Feather: Location Choice of Foreign Enterprises

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Abstract

In this paper we study the role of various information networks in the location choice of foreign enterprises in the natural setting of South Korean investment in China. The information networks we consider are social ethnic networks, host-country initiated friendship ties and business ethnic networks (same-country agglomeration and business-facilitating same-country organisations). We find that social ethnic networks play a role but that this role matters only initially, while friendship ties matter in later years and same-country agglomeration matters even in the presence of other information networks. However, we find that the other business ethnic network (i.e. Korean organisations) to be mostly insignificant.

Keywords: Ethnic networks, Agglomeration, Foreign direct investment

JEL classification: F21; F23

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