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The Study on the Industrial Selection of Jilin’s FDI

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Abstract: In recent years, Jilin’s FDI—foreign direct investment—has grown faster, the amount of investment has been increasing, the industries have presented variety, the investing districts have been a steady expansion. Jilin province fostered a lot of powerful and large-scaled enterprise groups in three pillar industries—automobile industry, petrochemical industry and agricultural products processing industry—and other specialty industries. Based on the FDI theories applied to the developing countries and the advantages of industries in Jilin province, it should depend on taking comparative advantages, pulling intra-industry trade and optimizing industrial structure so that select processing and assembly manufacturing industry, resource exploitation and utilization industry, high-tech industry and the tertiary industry to carry out FDI.

Keywords: Jilin province, FDI, industry, current situation, advantage, basis, selection

1. INTRODUCTION

Recently, there has been an increasing development in Jilin’s FDI, investing districts have been wider and wider, investing level has gone on getting higher. Under the background of economic globalization and regional economic integration, especially the establishment of Chang-Ji-Tu Development and Opening Leading District, the development of Jilin’s FDI deserves further study. This paper will show the industrial selection of Jilin’s FDI combined with the industrial advantages so that realize the rapid and rational growth of Jilin’s FDI, achieve the strategic targets pushing the exteriorization, internationalization of the process of the economy in Jilin province “Twentieth Five-Year Plan”, enhancing the level and standard of the opening up realize the development and upgrading of industrial structures, push to carry out international economic cooperation in Tumen District, promote the deepening development of Chang-Ji-Tu integration.

2. THE CURRENT SITUATION OF JILIN’S FDI

To view the amount of investment, Jilin’s FDI has a higher rate of growth, increased by 106.53 percent on an annual basis, as shown in figure 1. In 2004, the FDI flow in Jilin province was $28.87 million, which accounted for 2.97 percent of local FDI flow nationwide, the FDI stock was $66.94 million, which accounted...

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for 1.03 percent of local FDI stock nationwide; up to 2010, FDI flow reached $ 213.40 million, which is more than 7 times of the flow in 2004 and accounted for 1.2 percent of local FDI flow nationwide, the FDI stock reached $ 899.58 million, which accounted for 1.5 percent of local FDI stock nationwide. Among others, in 2009, the FDI flow was the most one, reached $ 298.14 million, which accounted for 3.1 percent of local FDI flow nationwide.

To view the investing industries, the industrial structure of Jilin’s FDI changes largely. Before the middle of 1990’s, Jilin province carried out FDI focusing on foreign trade, then took the manufacturing and processing industries as the main objectives. After 2000, the industrial structure of Jilin presented variety, including the exploitation, utility and process of forest and mineral resources, aquatic products cultivation, agricultural products processing, pharmaceutical R&D, machinery manufacturing, manufacture and sale of refitted cars, textile, import and export, in which mainly focuses on the exploitation of resources, such as the Russian forest and Northern Korean and Mongolia mineral resources.

To view the investing districts, the main objects of Jilin’s FDI are the countries in north-east Asia. In 2009, Jilin province established 34 new offshore enterprises and institutions, the amount of signed contracts and agreements (including financial series) $ 544 million, in which Chinese amount of signed contracts and agreements was $ 378 million. The whole province invested to Canada, Laos, Russia, Argentina, Japan, USA, Romania, North Korea, Korea and Hong Kong, etc..

3. THE ANALYSIS OF THE INDUSTRIAL ADVANTAGES OF JILIN’S FDI

Since entering into the new century, Jilin’s economy has sustained rapid momentum and obtained enormous achievements, as shown in figure 2. In 2010, Jilin’s GDP reached $ 857.706 billion, up 13.7 percent, according to the comparable price. The primary industry realized value added $ 105.015 billion, up 3.5 percent; the second industry realized value added $ 441.739 billion, up 18.9 percent; the tertiary industry realized value added $ 310.952 billion, up 10.4 percent. The effect of the adjustment of industrial structure was noted, the proportion of the structure of three industries was adjusted from 20.2:43.3:36.5 in 2001 to 12.2:51.5:36.3 in 2010, the rate of contribution to the economy is 3.0, 67.1, 29.6 respectively.

![Figure 2. The situation of Jilin district FDI and growth rate from 2006 to 2010](image)

As the important part of the Northeast Old Industrial Base, Jilin province has various industrial systems, including automobile industry, petrochemical industry, agricultural products processing industry and high-tech industry which own stronger competitiveness nationwide.

3.1 Automobile industry

Jilin province is the cradle of China’s automobile industry as well as the important production base, there are more than 200 above designated-size auto parts enterprises. According to the National Bureau of Statistics of China, in 2009, Jilin made 1.106 million automobiles, which accounted for 8 percent of the automobiles nationwide. China First Automobile Group is just a representative of this industry, which ranked the 268th in
3.2 Petrochemical industry

More than 50 years, Jilin’s system of petrochemical industry improved step by step, the capability of manufacturing main products has become large-scale. Petrochemical industry has become one of the important pillar industries in national economy and social development. The advantage of petrochemical industry shown as follows: first, obvious advantage of natural resources, the reserves of some mineral resources are in the forefront all over the nation; second, production advantage of basic industrial chemicals, the capacities of some main chemicals rank the first place nationwide; third, the advantage of pulling effect of central enterprises, Jilin Oil Field, Jilin Petrochemical Industry grow fast and play leading role in the whole industry by relying on Petro China Company Limited in oil and gas resources, capital input, project construction, device renewing, technology reforming, etc..

3.3 Agricultural products processing industry

Jilin’s agricultural products processing industry started to develop from the end of 1980’s, aggregate scale of it was increasing, it’s economic benefit has increased significantly, the driving function of it strengthened. Especially in recent years, agricultural products processing industry has become another pillar industry, the same with the automobile industry and the petrochemical industry, and promoted strongly the rapid growth of national economy in the whole province. Currently, Jilin province has fostered more than 2800 various agricultural industrialization dragon-head enterprises, in which 34 national ones and more than 50 ones obtained national brand. Jilin yellow corn, green organic rice, edible fungi, ginseng, Chinese medicinal materials and organic minor cereals and beans, and so on, have formed their special characteristics, some dragon-head enterprises, such as Da Cheng, Hao Yue, Xiu Zheng and Tian Jing, all enjoy better reputation home and abroad.

3.4 High-tech industry

Jilin province established two high-tech industrial development zones Changchun and Jilin one after another in the early 1990’s. High-tech industry grew fast and developed better and become the emerging pillar industry. In 2009, the total product of high-tech industry reached $53.8 billion, up 26.3 percent and was the twelfth place nationwide. In five fields, the biomedicine, computer software, photoelectric technology, new material, automobile engineering, the talents and funds gather together quickly, R&D forces strengthen and a lot of new technologies and new products keep coming forth, which provide creative talents and technological supports for the development of high-tech industry.

In addition, energy industry, metallurgy industry, machinery industry, construction industry, textile industry and tourism industry also present their specialty and tremendous development potentials.

4. THE BASIS OF INDUSTRIAL SELECTION OF JILIN’S FDI

4.1 Functioning the comparative advantage of the industry

To analyze the industrial comparative advantage is key to the industrial selection of FDI. Under the condition of the modern market economy, comparative advantage determines competitive advantage, while industries with special competitive advantage are inevitable to the industrial selection. The nature of industrial comparative advantage is a kind of advantage of the industrial combination, not a concrete one but different advantage of every enterprise in the industry and the probability of combination which can gather the dispersed advantages. Thus, the industrial selection of Jilin’s FDI must consider the advantage of every enterprise and the combination so that increase the economic benefit of FDI.

4.2 Pulling vertical intra-industry trade

The so-called vertical intra-industry trade is the trade among the primary producing enterprises, intermediate producing enterprises and final producing enterprises within the industry, that is, the trade relation
of every associated enterprise inside of the industry. This relation presents a certain complementarity, the enlargement or shrink of market scale of any enterprise will lead to the same result of the associated enterprises. If the final producing enterprises carry out FDI, they can drive expansion in production of domestic primary producing enterprises and intermediate producing enterprises, provide international space for the development of industry; if the primary producing enterprises carry out FDI, they can provide sufficient resources for the intermediate producing enterprises and final producing enterprises and meet the development of domestic industries. Thus, whether the industrial selection of Jilin’s FDI is rational or not can be measured by the scales of trade between oversea enterprises and domestic enterprises. [3]

4.3 Optimizing industrial structure

FDI can generate many economic effects for home country, while optimizing industrial structure is one of important contributions, which includes the rationalization and heightening of industrial structure. To view the real condition of Jilin’s industrial structure, promoting the rationalization of industrial structure should be the first target, that is, to promote the advantage status of the three large industries in direct sequence. On the basis of this, pushing the heightening of them step by step, that is, to push the labor-intensive industries to be capital-intensive and tech-intensive industries, and the low value-added industries to high value-added industries. [4]

5. The industrial selection of Jilin’s FDI

5.1 Processing and assembly manufacturing industry

Jilin province has a collection of powerful and strong leading enterprises in three pillar industries, as mentioned above. China First Automobile Group is not only one of the enterprises with larger production and marketing but also the representative of enterprises that have their own intellectual property rights. As the important production base of national chemical raw materials, Jilin Petrochemical Group is powerful and is the only enterprise to produce ethylene propylene rubber. In addition, Changchun Railway Vehicle Co. Ltd., Changchun DaCheng Developing Co. Ltd., Jilin Grain Group Co. Ltd. are also the powerful enterprises. The enterprises mentioned above should be encouraged and guided to carry out FDI so that realize diversify development and pull the export of domestic associated enterprises.

5.2 Resource exploitation and utilization industry

It is inevitable to encourage all kinds of resource exploitation and utilization industries to carry out FDI as the deepening development of revitalization of the Northeast Old Industrial Base and the establishment of Chang-Ji-Tu Development and Opening Leading District. For one thing, the rapid growth of automobile industry, metallurgy and machinery manufacturing industry cause increasing demand of mineral resources. In order to meet such demand, investment in the exploitation of mineral resources should be promoted; for another, Jilin province owns stronger technological power in forest harvesting, not only the machinery but also the staff team is the leading status nationwide. Especially, timber processing products have the ability to earn foreign exchange through export. Thus, promoting the FDI in forest harvesting and timber processing enterprises can meet the development of associated industries and Jilin’s foreign trade.

5.3 Tertiary industry

Tertiary industry is the service industry, which plays more and more important role in national economy and social life. Recently, there is an obvious tendency to invest. Jilin province should keep up with the trend of the times. For one thing, service industry involves a wide field and is easy to form comparative advantage, not constrained by technologies and be favorable to obtain higher returns; for another, through the direct investment in service industry of the developed countries or districts, we can learn advanced experiences and drive the development of Jilin’s service industry, alleviate the stress of employment, help to
realize the rationalization of industrial structure.

5.4 High-tech industry

Pharmaceutical industry which grows fast and owns good prospect and enormous potential is an industry with advantages in Jilin’s high-tech industries. Biomedicine and Chinese patent medicine processing which have some certain of comparative advantages, such as Jilin Xiu Zheng, Tonghua Dong Bao, Yanbian Ao Dong and Changsheng Genes, should be encouraged to go out and establish sales base so that enlarge the scale of production and marketing and push them to be internationalized. Though the advantages of other high-tech industries are not very clear, we also should adopt learning-oriented FDI and learn the advanced technologies and managerial experience, encourage to innovate and realize the heightening development of Jilin’s industrial structure the sooner the better.

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