

Productivity and FDI of Taiwan Firms: A Non-Parametric Approach

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This paper examines whether firms' productivity affects their choice of FDI destinations and the accumulated number of FDI destinations. The results of our examination, using firm-level data of Taiwan, present new evidences: (i) the productivity of firms conducting FDI in high-wage countries is higher than the productivity of firms conducting FDI in low-wage countries which is not higher than the productivity of non-FDI firms; and (ii) the higher the productivity of firms, the larger the number of FDI destinations regardless the market attributes. These results provide the policy implication that government support for higher productivity would accelerate the internationalization of Taiwan firms and would eventually enforce the economic growth in Taiwan.

Key words: Taiwan firm, Productivity, Export, FDI, Pecking order, Non-parametric approach