ABSTRACT: Foreign direct investments (or FDIs) have been employed since the early 1980s and they have become more and more important in Chinese economic development. However, the roles of FDIs are very different between regions, partly due to the different locational preference of various source countries. Some facts show that FDIs from Hongkong - Macao indicate a strong locational preference. Therefore, this paper attempts to make an empirical research on the locational preference of Hongkong - Macao's FDIs and their spatial diffusion under the support of statistical data with regression analysis. In this paper, three statistical models, including the special location model, the general location model and the spatial diffusion model, are created. The results show that this kind of analysis is successful. The major conclusions are as follows. (1) The optimum location for FDIs from Hongkong - Macao lies in the coastal area, especially Guangdong, Hainan, Jiangsu, Shandong, Fujian provinces. Besides, Hubei Province is also an important region. (2) The FDIs from Hongkong - Macao in China have diffused gradually from the coastal provinces to the inland regions, the northern and the metropolis and from the locations that had attracted a large number of investments to their vicinities since the 1990s. (3) The special location factors, such as the border effect, the unique social and kinship ties are the key factors determining the special locational distribution. (4) The general location and spatial diffusion of Hongkong - Macao's FDIs are the results of interplay of several economic factors. They are the economic scale and advantage, the growth rate, the labor force and economic extrovert etc.

KEY WORDS: Hongkong - Macao, Foreign Direct Investments (or FDIs), location model

I. INTRODUCTION

Since the reform and opening-up, Foreign Direct Investments (FDIs) have been employed
in Chinese economic development. Some research results show that FDIs in Chinese economic development have changed a series of economic structure, such as, investment structure, property structure, trade structure, technology structure etc. which suggests that roles of FDIs in Chinese economic development should be seriously taken into consideration in studying the regional development issues. Evidently, the regional difference of roles of FDIs is determined by the spatial pattern of FDIs which varies with different source countries or regions of FDIs. Consequently, in order to study the location distribution and spatial diffusion of FDIs in a certain country, different source countries FDIs’ location preference should be firstly observed. As is known to all, Hongkong and Macao have been the main sources of FDIs in mainland of China. However, the distribution of Hongkong and Macao’s FDIs shows greatly spatially unbalanced (Cai, 1994; Leung, 1990; Li, 1996). Therefore, it’s believed that a study on the location distribution and spatial diffusion of Hongkong and Macao’s FDIs in mainland of China will impose highly scientific value on the analysis of the general distribution and diffusion law.

II. SPATIAL PATTERN AND DIFFUSION OF HONGKONG AND MACAO’ FDIs IN MAINLAND OF CHINA

1. Spatial Pattern

The spatial pattern of Hongkong and Macao’s FDIs in mainland of China is observed from investor and receiver and called Absolute Spatial Pattern and Relative Spatial Pattern respectively.

1.1 Absolute Spatial Pattern

The accumulative investment agreement number in each province during 1990 – 1993 is firstly calculated. Based on this result, the percentage of Hongkong and Macao’s FDIs that each province accounts for is produced and reflected in Fig. 1 Because it demonstrates the spatial pattern absolutely from Hongkong and Macao investors, it may be named Absolute Spatial Pattern. From this figure, The FDIs’ spatial characteristic and location preference are easily discerned. Evidently, the optimum investment locations for Hongkong and Macao investors are eleven provinces or metropolis in the coastal regions, accounting for 83.49%, especially Guangdong, Jiangsu, Shandong, Fujian, Hainan etc. attracting 60.95%. While the central and western regions are 9.65% and 3.84% respectively. In addition, Hubei province in the central regions is another important favorable investment location. Therefore, Spatial Pattern of Hongkong and Macao’s FDIs is almost consistent with Chinese regional economic pattern, decreasing by degrees from east to west.

1.2 Relative Spatial Pattern

The location quotient is employed to study the regional difference of Hongkong and Macao’s FDIs in China from the receiver of international capital. The location quotient is expressed as follows: