GLOBAL BUSINESS & FINANCE REVIEW

2007
Special Issue
INTERNATIONAL TECHNOLOGY TRANSFER IN THE RUSSIAN ECONOMY - THE EFFECT OF FOREIGN DIRECT INVESTMENT SPILOVERS

Juha Väätänen  Lappeenranta University of Technology, Finland
Anna-Mari Ylä-Kojola  Lappeenranta University of Technology, Finland
Daria Podmetina  Lappeenranta University of Technology, Finland

Russia is a transitional economy strongly relying on exports of natural resources. However, the political leadership has acknowledged the need to make Russia more high-tech oriented. In the realization of this goal, foreign technology transfer plays a very important role. The paper estimates foreign companies’ role in the Russian economy and the potential of Russian economy and local companies to receive positive spillovers from foreign investors. The principal channels of international technology transfer in Russia are studied. Traditionally foreign direct investments and spillovers from local affiliates of multinational enterprises provide an important and cheap channel of direct technology transfer. Licensing of technology and intellectual property to an existing business is another channel, and is often a preferred option if a ready route to market exists. Technology transfer can also happen through international trade. Using Russian and international statistical data, the authors assess the impact of technology transfer in the Russian economy.

MULTIPLE EQUILIBRIA: IS BIG PUSH POSSIBLE? EVIDENCE FROM THE KAESONG INDUSTRIAL COMPLEX IN NORTH KOREA

Jinhwan Oh  Cornell University

This paper tests whether Big Push of moving from lower level equilibrium (poverty trap) to higher one (industrialization) could occur in North Korea. The Kaesong Industrial Complex (KIC), in which some South Korean firms have just started doing business with North Korean labor, will be the main focus of this paper. Using the Murphy, Shleifer, and Vishny Model, it will be argued that successful launch of the KIC will bring a spillover effect to the entire country, leading to industrialization and ending its dependence on nuclear weapons as a bargaining chip.
IS MANAGERIAL DISCRETION HIGHER IN MULTINATIONAL FIRMS?

Dong-Kyoon Kim  Montclair State University
Myungsoo Son  California State University at Fullerton
Zaman Zamanian  Montclair State University

The objective of this study is to investigate whether a firm's multinationality is associated with managerial discretion by examining accounting choices of multinational firms, surrounding Sarbanes-Oxley Act (SOX). By employing a firm-specific abnormal accrual estimation design to measure accounting flexibility or discretion, the results show that multinational firms, compared with their industry-size-matched counterparts, tend to have greater managerial discretion in accounting choices before SOX. Other results also show that after SOX the deceased discretion in accounting choices is more pronounced in multinational firms than control uninalational firms.
A NON-LINEAR APPROACH TO JAPANESE BUSINESS CYCLES

Yasuyuki Nishigaki
Ryukoku University

Yuichi Ikeda
Hitachi Research Institute

Mitsuhiko Satake
Doshisya University

A considerable amount of interest has been taken in empirical tests to determine chaos in business cycles after the introduction of the non-linear approach to economics. Amongst the several empirical works on macro-economic time series, Frank, Geniey and Stengos (1988) found the strong non-linearity in the Japanese data. This paper attempts to provide a precise mathematical version of empirical tests on Japanese time series for the presence of low-dimensional deterministc chaos. The “residual diagnostics“ which was first presented by Brock(1986), is conducted on the Japanese macro-economic quarterly time series, including the periods of “rapid growth”, “two oil crises” and “bubble economy and after bubble depression”(from 1955 to 2000). For the low-dimensional deterministic chaos tests, the correlation integral correlation dimension and BDS statistics are examined. Empirical results show that the correlation dimension grew linearly with the embedding dimension and did not saturate at any value. The BDS statistics distribution has a large peak near 0. Based on these results, evidence for chaos in the Japanese quarterly macro-economic time series is weak, and fluctuations are primarily caused by “random noise.”

STUDIES ON THE CHARACTERISTICS OF VOLATILITY IN CHINA’S STOCK MARKET

Ming Men
University of International Business and Economics, PRC

Yusaku Nishimura
University of International Business and Economics, PRC

Rui Li
Capital Securities Research, PRC

This paper mainly focuses on the effects of China’s entry into WTO on the volatilities in China’s stock market. We divide the time series under study into two subperiods—before and after the date of China’s entry into WTO. Then we employ the AR-EGARCH-M model to test the resulting changes of volatilities in China’s stock market in the two subperiods and obtain some meaningful results from our analysis. The major findings include (1) the speculation activities in China’s stock market are decreasing and Chinese investors are becoming more rational; (2) China’s stock market exhibits features of ‘Policy Market’, but the effect is diminishing; (3) the volatilities in China’s stock market also shows characteristics of asymmetry and longer persistence, which are similar to what were found in some developed stock markets.
MACRO LEVEL DRIVERS OF GLOBALIZATION IN INDIAN AND CHINESE SERVICE ORGANIZATIONS: AN EMPIRICAL STUDY

Subramaniam Ananthram
Curtin University of Technology

Cecil Pearson
Curtin University of Technology

Cross-border trade across disappearing geographic boundaries has been the most important factor that has led to the intensification of economic globalization in the past two decades. Major political, legal and economic reform measures at the national level have been the driving force for economic globalization across developed and developing countries across the globe. In the services industry, generally, reforms at the national level include government controlled deregulation of industries, foreign direct investment allowances and licensing. These government led reforms have been pivotal towards the global resurgence in the demand and provision of services across the global marketplace. It is contended in this paper that there are three other forces, besides ‘government’ enablers that are necessitating these changes at the national level. These forces are ‘market’, ‘cost’, and ‘competition’. Collectively, these four forces shape globalization. The impact and importance of these forces was examined with data that were obtained from a study with indigenous managers employed in the services industry in China in 2016 and India in 2017. Employing a pluralist (quantitative and qualitative procedures) design, the data reveal market forces were of the past overall importance in both nations. However for different service sectors, the impact and salience of the structural forces varied. Empirical evidences of various services industry managers in India and China through qualitative focus groups and one-on-one interviews are utilized to explain and justify the quantitative rankings in the discussion section. Further, the implications of the findings for global business are elucidated in the concluding section.
FOREIGN BANKS' ENTRY INTO CHINA'S BANKING MARKET: AN EMPIRICAL STUDY

Xian Huang  Wuhan University, PR China
Fuping Xiong  Wuhan University, PR China
Xiaoling Hu  University of Gloucestershire, Cheltenham, UK

Using a fix-effect modelling method, this study investigates the effect of foreign bank entry on the performance of indigenous banks in China during the post-deregulation period 1996-2004. Contrary to the results of Claessens' et al. (2001), this research shows that it is the loss of market share (as measured by the ratio of foreign bank assets to China's entire bank assets) rather than the increase of bank branches which has a greater effect on China's domestic banks. Moreover, our results support the view of Lensink and Hermes (2004) that as China's banking sector is not well developed, domestic banks have incurred higher costs and margins when learning banking techniques and practices from foreign banks due to the spillover effect. As a result, China's domestic banks may transfer their implementation costs to their consumers or clients by raising margins and thus gaining higher profits. It is therefore difficult to draw a conclusion as to whether the foreign bank entry has enhanced the competitiveness of Chinese domestic banks and thus improved the efficiency of financial sector.

HAVE ASIAN BANKS RECOVERED FROM THE FINANCIAL CRISIS AND RETURNED TO PROFITABILITY?: EVIDENCE FROM THAI BANKS

G. Chotigeat  Nicholls State University

Since the 1997 financial crisis, many drastic changes have taken place in the financial services industry in Thailand. Banks had to restructure and continued to evolve responding to financial reform and economic outcome of the crisis. Simultaneously, they found themselves competing with large multinational banks who were taking advantage of worldwide financial deregulation and rapid technological advances by offering a full range of financial products and services in far-flung global markets. Using quarterly financial time series data of commercial banks in Thailand from 1999 to 2001, this paper analyzes the determinants of their efficiency. The findings indicate that the banks' performance, return on equity capital ratio was influenced negatively by both the efficiency ratio and loan loss provisions.
THE PPP THEORY OF INFLATION AND POST COLONIAL TRADE RELATIONSHIPS: 
THE CASE OF TWO AFRICAN COUNTRIES

Glenville Rawlins  Montclair State University, USA
Harold Flint  Montclair State University, USA

Using the absolute version of the Purchasing Power Parity (PPP) theory, the paper models the nominal exchange rate and the price level as integrated processes that ensure that trade between two countries will render the real exchange rate as a stationary variables. After conducting a Unit Root Test on the primary price and exchange rate variables, the paper employs the Johansen Cointegration technique, to investigate whether the current inflation differential accounts for the difference between the present and previous exchange rate levels for two pairs of countries: Cote d’Ivoire and France, and Ghana and Britain, as well as between these two developing countries and two other developed countries, Japan and the US. Given the tighter trading and financial relationship between the former two countries we expect a priori the PPP theory to yield more robust results here than in the latter case. The result is the reverse suggesting that indeed Ghana’s significantly higher average annual inflation rate is a stronger determinant of exchange rates than the two nations’ trading pattern. The implication is that even in the absence of any IMF inspired structural adjustment policies, the market will enforce the requisite change.