## Contents

Li	st of I	Figures	vii
Li	st of T	Tables	viii
Li	st of A	Abbreviations	хi
Pr	eface		xii
Αl	out t	he Book	xvi
Αd	know	ledgements	xviii
1	Intr	roduction	1
	1.1	The overview	1
	1.2	FDI theories and hypotheses: a brief taxonomy	2
		Motives	13
	1.4	The current international economic environment	15
	1.5	Japanese FDI flows	17
	1.6	The present study: context and motivation	22
	1.7	Design and methodology	25
2	Japanese FDI Outflows		27
		Introduction	27
	2.2	Different waves in Japanese FDI	28
		Developed and developing countries	33
	2.4		43
	2.5		51
	2.6	A summary profile	59
3	Japa	nnese Investors' Perceptions of Location Advantages	63
	_	Introduction	63
	3.2	Methodology	65
	3.3	0,	
		motives and preferences	68
	3.4	•	70
		Companies investing outside but not in India	86
		Results of the logit model	88
		Concluding remarks	90

4	_	anese Domestic Companies' Perception for	
	Investment Abroad		95
		Introduction	95
		Internalization and internationalization process models	96
	4.3	Principal determinants of international orientation	101
		Model results	103
	4.5	Japanese domestic companies' perception for	
		international orientation	104
	4.6	Concluding remarks	108
5	Determinants of Japanese FDI Flows		
	5.1	Introduction	111
	5.2	Main goals	114
		Determinants of FDI and literature survey	115
	5.4		
		method of estimation	127
	5.5	Econometric results and interpretation	129
	5.6	Conclusions	137
	5.7	Prospects	138
6	Conclusions 1		140
	6.1	The motivation	140
	6.2	Emerging trends in the environment for FDI	142
	6.3	Results: investors' perceptions	146
		Quantification of the ratings	150
	6.5		
		Japanese FDI	151
	6.6	Perspectives and challenges	152
En	d No	tes	157
Te	chnic	al Annex	173
Re	ferenc	res	181
Inc	ndex		

## List of Figures

Figure 2.1	Japanese FDI outflows	31
Figure 2.2a	Japanese FDI flows in developed and developing	
	countries	35
Figure 2.2b	Share of developed and developing countries	35
Figure 2.3	Flows of Japanese FDI in different regions	41
Figure 2.4	Shares of the different regions	42
Figure 2.5	Japanese FDI flows in Asia	44
Figure 2.6	Japanese FDI flows in NIEs	47
Figure 2.7	Japanese FDI flows in ASEAN-4	49
Figure 2.8	Japanese FDI flows in China and India	51
Figure 2.9	Japanese FDI in industry	52
Figure 2.10	Share of manufacturing and non-manufacturing	
	investment in the total	54
Figure 2.11	Japanese FDI in industry in Asia	58
Figure 2.12	Japanese FDI in China and ASEAN-4	62
Figure 5.1	Average Japanese FDI to GDP ratio	114
Figure 5.2	Average per capita GDP	117
Figure 5.3	Average per capita Japanese FDI	117
Figure 5.4	Trade density with Japan	120
Figure 5.5	Average ratio of gross domestic capital formation	
	to GDP	121
Figure 5.6	A comparative picture of average monthly wages	122

## List of Tables

Table 1.1	Ownership, location and internalization (Ob)	
	approach	9
Table 1.2	Dynamics of Japanese FDI flows	21
Table 2.1	Japanese FDI flows: global – wave-wise	
	comparison	32
Table 2.2	Japanese FDI flows in developed and developing	
	countries – an inter-period comparison	34
Table 2.3	Region-wise average annual flows in different	
	periods	38
Table 2.4	Japanese FDI outflows – region-wise: levels,	
	growth rates	39
Table 2.5	Japanese FDI outflows – percentage shares	
	of the regions	40
Table 2.6	Japanese FDI in Asia – annual averages	44
Table 2.7	Japanese FDI in the NIEs	46
Table 2.8	Japanese FDI in ASEAN-4	48
Table 2.9	Japanese FDI in China and India – a	
	contrasting picture	50
Table 2.10	Japanese FDI outflows in industry	53
Table 2.11	Japanese FDI in manufacturing and	
	non-manufacturing	55
Table 2.12	Japanese FDI in top sectors	56
Table 2.13	Period-wise percentage share of Japanese	
	investment in industry in Asia	59
<b>Table 2.14</b>	Average annual Japanese FDI flows in	
	China and ASEAN-4	62
Table 3.1	Business preference for India vis-à-vis China and	
	East Asia: over-all parametric values of mean and	
	standard deviation	70
Table 3.2	The position of physical infrastructure	71
Table 3.3	Rating of infrastructure: India compared	
	to NIEs, ASEAN-4 and China	73
Table 3.4	Rating of the public administration by investors:	
	India compared to China and East Asia	7€
Table 3.5	Degree of adoption of JMT in India,	
	China and East Asia	80

Table 3.0	impediments to the adoption of JMT in india,	
	China and East Asia as reported by the investors	82
Table 3.7	Average ratings of the control system in India	
	compared to the countries of East Asia and	
	China	84
Table 3.8	Un-weighted and weighted means and S.D.	
	relating to the perceived bottlenecks	87
Table 3.9	Correlation matrix: business environment	
	variables	88
Table 3.10	Main results of the logit model	89
Table 4.1	Model results: dependent variable – overseas	
	sales ratio (OSR)	103
Table 4.2	Reasons for not investing outside Japan	104
Table 4.3	Business objectives from the countries	105
Table 4.4a	Perception of domestic companies for	
	investment abroad	107
Table 4.4b	India vis-à-vis China and East Asia –	
	mean and S.D. of the rating	107
Table 5.1	Selected economic characteristics – overall	
	annual averages	113
Table 5.2	Determining variables	116
Table 5.3	Average ratings of the economic incentives	
	in the host countries by Japanese investors	
	investing in Asia	124
Table 5.4	Parameter estimates for Japanese FDI	
	flows: NIEs	130
Table 5.5	Parameter estimates for Japanese FDI flows:	
	NIEs + China	131
Table 5.6	Parameter estimates for Japanese FDI flows:	
	ASEAN-4	132
Table 5.7	Parameter estimates for Japanese FDI flows:	
	ASEAN-4 + China	132
Table 5.8	Parameter estimates for Japanese FDI flows:	
	ASEAN-4 + China + India	133
Table 5.9a	Parameter estimates for Japanese FDI flows:	
	China + India	134
Table 5.9b	Parameter estimates for Japanese FDI flows:	
	China and India separately: OLS	134
Table 5.10	Parameter estimates for Japanese FDI flows	
	for all ten countries	135
Table 5.11	Restricted models: results	136
Table 6.1	Measures of country attractiveness: NIEs-4,	
	ASEAN A vie à vie China	152

## x List of Tables

End note tabl	es	
Table 3A.1	Market-seeking FDI: case of India-	
	distribution of responses according	
	to the objectives of investment	160
Table 3A.2	Problems in investment environment – top	
	five problems	162
Table 5.A1	Variables, definitions and data sources	164
Table 5.A2	Monthly wages paid by the Japanese companies	165
Table 5.A3	Selected economic characteristics: NIEs,	
	ASEAN 4, China and India	166
Table 5.A4	FDI regimes: some stylized facts between India	
	and China	171
Technical An	nex Tables	
Table 3A.1a	Logit model for interest to invest in India	
	(excluding labour as an explanatory variable)	175
Table 3A.1b	Logit model for interest to invest in India	
	(including labour as an explanatory variable)	175
Table 4A.1	Japanese electronics industry	177