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978-0-521-87192-1 - Japanese Exports and Foreign Direct Investment: Imperfect Competition in International Markets

Hideki Yamawaki

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JAPANESE EXPORTS AND FOREIGN DIRECT INVESTMENT

This book addresses the question of how competition takes place in international manufacturing industries. There is a large catalog of literature about how large firms, *oligopolists*, compete in domestic markets and about how broadly competitive processes determine international trade. However, the intersection between these two areas is missing, and we know little about how oligopolists interact with each other across international boundaries. This book examines patterns of rivalry among firms from different countries across national boundaries and their influences on international trade and investment. Using various data on Japanese firms in manufacturing industries from the late 1950s through the early 2000s, the first part of this book presents a series of empirical analyses that examines effects of market structure on export pricing, linkages of domestic and foreign market structures on trade performance, and patterns of oligopolistic interactions among firms from different countries involved in exporting. The second part of this book deals with the impact of strategic interactions on foreign direct investment. In particular, this book examines bunching in foreign direct investment and strategic interactions in intra-industry cross-market foreign direct investment, and the effects of these actions and interactions on entry patterns and postentry performance.

Hideki Yamawaki is Professor of Management in the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University. From 1990 to 1997, he was Professor of Economics at the Université catholique de Louvain in Belgium. From 1982 to 1990, he was Research Fellow at the Wissenschaftszentrum Berlin für Sozialforschung in Germany. In the past 20 years, he has published many articles in professional journals and volumes in the fields of industrial organization, international trade and investment, and international business strategy. His research has focused on examining the behavior and performance of U.S., European, and Japanese corporations in international markets. Professor Yamawaki has served as a consultant to the European Commission, the World Bank, and the OECD. In 1995, he was appointed a member of the Economic Advisory Group at the European Commission. He has served as an associate editor of the *Review of Economics and Statistics* and as Managing Editor of the *International Journal of Industrial Organization*.

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CAMBRIDGE UNIVERSITY PRESS

Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Cambridge University Press

32 Avenue of the Americas, New York, NY 10013-2473, USA

www.cambridge.org

Information on this title: www.cambridge.org/9780521871921

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First published 2007

Printed in the United States of America

A catalog record for this publication is available from the British Library.

Library of Congress Cataloging in Publication Data

Yamawaki, Hideki.

Japanese exports and foreign direct investment : imperfect competition in international
markets / Hideki Yamawaki.

p. cm.

Includes bibliographical references and index.

ISBN-13: 978-0-521-87192-1 (hardback)

ISBN-10: 0-521-87192-1 (hardback)

1. Japan—Commerce. 2. Exports—Japan. 3. Competition, Imperfect—Japan. I. Title.

HF3826.5.Y345 2007

382.095'2 – dc22 2006039234

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*To my mother
for many reasons*

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Preface

I owe many people debts of gratitude for their help in the development of this book. Certain parts of this book were written and published in various forms while I was at the Wissenschaftszentrum Berlin from 1982 to 1990 and Université catholique de Louvain from 1990 to 1997. I benefited greatly from the research opportunities and the intellectual environments that these institutions provided. I am particularly indebted to Paul Geroski, Alexis Jacquemin, Dennis Mueller, Hiroyuki Odagiri, F. M. Scherer, and Leonard Weiss for their criticisms and suggestions on various papers that are now integrated in this book. I thank David Audretsch, Manfred Fleischer, Elizabeth de Ghellinck, Christian Huveneers, Joachim Schwalbach, and Leo Sleuwaegen for their advice and encouragement.

José de la Torre, Marvin Lieberman, and Mariko Sakakibara at UCLA's Anderson Graduate School of Management offered many insights and useful comments on certain parts of this book. I thank my colleagues at the Peter Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University for their moral support and encouragement.

Over the years, I have had many opportunities to present the material in this book in various forms at seminars and conferences. I extend my thanks to Nicola Acocella, Luca Barbarito, Jean-François Hennart, Fukunari Kimura, Bruce Kogut, Franco Malerba, Jean-Louis Mucchielli, Yoko Sazanami, and Klaus Zimmermann for such opportunities and their valuable comments.

I would like to thank my coauthors of various papers for allowing me to use certain parts of the results of our joint research in this book: parts

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of Chapter 1 are the result of joint research with David Audretsch and Leo Sleuwaegen; parts of Chapter 5 are the result of joint research with David Audretsch; and parts of Chapter 9 are the result of joint research with Shigeru Asaba. I also want to thank the *Review of Economics and Statistics*, the *International Journal of Industrial Organization*, and the *Journal of Industry, Competition, and Trade* for granting me permission to include parts of my articles in Chapters 4, 5, 7, and 8 in this book. I would like to thank the three Cambridge University Press referees for their insights and useful suggestions on an earlier draft of this book.

I was fortunate to receive stimulation and direction from many great teachers in my student days many years ago. I owe a special debt to Masu Uekusa, whose undergraduate seminars at Keio University in the mid-1970s exposed me to the field of industrial organization for the first time and gave me a lasting impression of the importance of empirical research in industrial organization. Fumimasa Hamada showed me the importance of time-dependent factors in industry and firm analysis. Robert Fogel inspired me to introduce historical perspectives into the empirical analysis of market structure and behavior. Michael Spence showed me the importance of the industry case approach in empirical research of strategic behavior in markets.

My greatest intellectual debt is to Richard Caves, whose help and encouragement extend back to my first days in graduate school in the United States. He read almost all of the major articles I wrote from graduate school through the 1990s, shared his numerous insights and invaluable suggestions, and showed me numerous research avenues at the intersection of the fields of industrial organization and international economics.

The idea of writing this book first came when I encountered a book, *Japan in the Beginning of the 20th Century* (published by the Department of Agriculture and Commerce, Japan, in 1904) in the main library of the Claremont Colleges few years ago. In its preface, Haruki Yamawaki wrote, “the knowledge which the world possesses about things Japanese is at best superficial, . . . chiefly because reliable publications . . . giving a succinct account of the economic and other affairs of Japan have not existed.” In the past 60 years, a vast amount of research on Japan’s economy, industry, and business has been conducted by many researchers and has created a

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large body of knowledge about Japanese industry. This book is intended
to make a small contribution to this end.

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Claremont, California