

How Does FDI in East Asia Affect Performance at Home?: Evidence from Japanese Multinational Firms

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Abstract: The aim of this paper is to examine the impacts of Japanese machinery VFDI on firm performance (e.g., productivity and employment). We define VFDI according to whether production processes invested to developing countries are different from those at home. Our findings are summarized as follows. In the simple definition of VFDI employed in the previous studies, i.e., FDI to developing countries, we cannot get an empirical support for the positive impacts of VFDI on firm performance at home. In VFDI based on our new definition, there are the significantly positive impacts. In particular, investing upstream processes to East Asia leads to significant improvement of most performance indexes.

Keywords: Productivity; Firm performance; FDI and multinationals

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