

# Did Japanese direct investment in Korea suppress indigenous industrialization in the 1930s? Evidence from county-level factory entry patterns

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## Abstract

This paper examines whether advance of Japanese-owned factories in Korea in the 1930s, suppressed the entry of Korean-owned factories. By using the census of manufacturing factories in Korea, we exploit variations of the share of Japanese factories and its entry rates across counties within the same subsector. We find that on average, gross entry rates of Korean factories were higher in counties with higher presence and entry of Japanese factories. Anecdotal evidences suggest that technology transfer and spin-offs were the possible channels of positive entry spillovers. The result indicate that Japanese direct investment did not suppress the entry of Korean factories and that FDI and foreign firms could exert positive spillovers on the entry of indigenous firms even at a very earlier stage of industrialization. (125 words)

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