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# Heterogeneous Impact of Trade Liberalization on Vertical FDI: Evidence from Japanese Firm-level Data

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# Aim of paper and contribution

- Aim of this paper
  - To clarify the reasons for the relatively rapid growth of FDIs in developing countries.
  - Empirically examining the relationship between trade cost reduction and firms' FDI choices focusing on firms investing in Asia.
- Contribution
  - Extending the Helpman et al. (2004) model so as to allow firms to choose another option, VFDI
  - The increase of VFDI through the trade cost reduction has led to the recent relative surge of small firms' FDIs in developing countries.

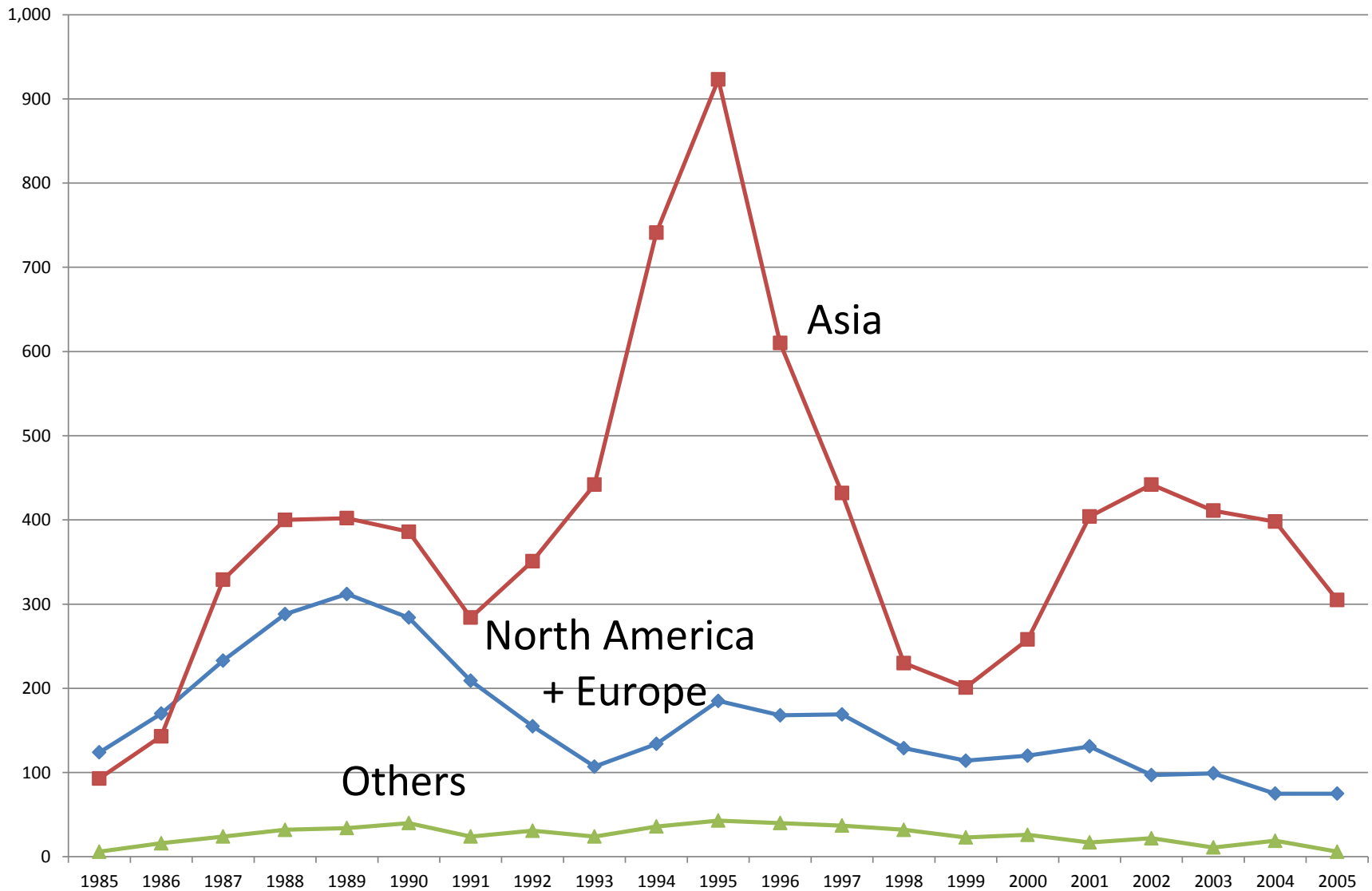
# Outline

1. Motivation
2. Literature Review
3. Theoretical Framework
4. Estimation Strategy & Data
5. Results
6. Conclusion

# Motivation

- **Relative increase of FDI to developing countries**
  - Navaretti and Venables (2004)
    - “The share of worldwide FDI received by the developing and transition economies jumped from 25% in the period 1988-93, to more than 40% in the period 1992-97”.
  - Japanese FDI concentrate on East Asia.
- **Increase of FDI by the small and less productive investors**
  - Japanese FDI to East Asia by the small and less productive firms
- Shedding light on the role of **trade costs**

# The Number of New Investors



Source: Survey of Overseas Business Activities (METI)

# Motivation

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# Japanese FDI to East Asia is driven by the small and less productive firms

	TFP
Domestic Firms	0.938
New Investors to Developing	0.992
New Investors to Developed	1.057

Firms that have never had a foreign affiliate until 2003

Firms that invest in developing countries from 1995 to 2003

Firms that invest in developed countries from 1995 to 2003

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_5086](https://www.yunbaogao.cn/report/index/report?reportId=5_5086)

