

# Japanese Exports and Foreign Direct Investment

## *Imperfect Competition in International Markets*

HIDEKI YAMAWAKI

Claremont Graduate University, California

CAMBRIDGE  
UNIVERSITY PRESS

# Contents

<i>Tables</i>	• .	<i>page xi</i>
<i>Figures</i>		xv
<i>Preface</i>		xvii
1. Introduction		1
1.1. Objective	• .	2
1.2. Conceptual Framework for Empirical Analysis		5
1.3. Japanese Exports and Outward Foreign Direct Investment: Overview		8
1.4. Japan's Corporate and Economic Organization		22
1.5. Issues of Data		24
2. Export Pricing under Imperfect Competition		26
2.1. Introduction		26
2.2. Models of Export Pricing Behavior		29
2.3. Hypotheses and Empirical Specifications		32
2.4. Empirical Estimates of Export Price		33
2.5. Conclusions		41
3. Export Price, Learning, and Domestic Demand Disturbances		43
3.1. Introduction		43
3.2. Estimation of Elasticity		45
3.3. Determinants of Elasticity		49
3.4. Domestic Price and Export Price		54
3.5. Conclusions		58

4.	Foreign Market Structure, Export Price, and Profitability	60
4.1.	Introduction	60
4.2.	Model	61
4.3.	Determinants of Price-Cost Margins on Exports	63
4.4.	A Case of Japanese Entry into the U.S. Luxury Car Market	69
4.5.	Conclusions	75
5.	Competitive Advantage and Export Performance	77
5.1.	Introduction	77
5.2.	A Model	79
5.3.	Determinants of Japanese Import Share in the U.S. Market	82
5.4.	Exports and Japanese Involvement in U.S. Marketing, Distribution, and Service	87
5.5.	Conclusions	92
6.	Entry into the European and U.S. Manufacturing Industries	94
6.1.	Introduction	94
6.2.	The Data	96
6.3.	Statistical Analysis of Entry Mode	99
6.4.	Bunching in FDI	111
6.5.	Conclusions	117
7.	Strategic Interactions in Cross-Market Entry	118
7.1.	Introduction	118
7.2.	Statistical Analysis of Retaliatory Entry into Foreign Markets	120
7.3.	Entry and Exit of Foreign Firms in Japan	122
7.4.	Entry and Exit Patterns of Domestic Firms	142
7.5.	Conclusions	143
8.	Responses of Foreign Firms to Japanese Competition	145
8.1.	Introduction	145
8.2.	Competitive Interactions between Incumbents and New Entrants	146
8.3.	Statistical Analysis of Price Reactions	152

8.4. Market Share and Exchange Pass-Through	159
8.5. Conclusions	161
9. Exit in the U.S. Manufacturing Industries	162
9.1. Patterns	162
9.2. Hypotheses on Concentrated Entry and Exit	164
9.3. Statistical Analysis	169
9.4. Conclusions	177
10. Interpreting the Empirical Findings	178
10.1. Major Findings	178
10.2. International Competition and Japan's Corporate and Economic Organization	180
11. Implications	199
11.1. Conceptual Framework	199
11.2. Foreign Market Entry and Oligopolistic Interactions	200
11.3. Foreign Direct Investment and the Firm's Proprietary Assets	201
11.4. Evolution of International Competitiveness	201
11.5. Government Policy	202
11.6. Future Research	203
Appendixes	207
Appendix to Chapter 1	207
Appendix to Chapter 2	208
Appendix to Chapter 3	215
Appendix to Chapter 4	218
Appendix to Chapter 5	219
Appendix to Chapter 6	223
Appendix to Chapter 7	226
Appendix to Chapter 8	229
Appendix to Chapter 9	230
<i>References</i>	233
<i>Author Index</i>	255
<i>Subject Index</i>	261