

Technology Exports of Japanese Multinationals: An Empirical Study on Licensing vs. FDI Decision

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Abstract

The objective of this paper is to study the factors which affect firms' decision between licensing and foreign direct investment (FDI) as a means of exploiting their technological advantages over national boundaries. We use the dataset obtained from the series of a survey titled "Trends in Technology Exports from Japan" conducted by NISTEP. The analysis, made with both descriptive and empirical approaches, shows that "license VS. FDI" choice is influenced by various factors represented by the characteristics of exporting firms, exported technology and importing countries. For instance, patented technology is more likely to be licensed while technology with provision of know-how tends to be exported to subsidiaries. Inward FDI restrictions of host countries are found to affect negatively to FDI, but withholding tax rate charged on royalty payments by the host country influences positively.