

PREFACE

This volume is the product of an IDE Joint Research Project entitled *Economic Development and Institution*, which was coordinated and financially supported by the Institute of Developing Economies (IDE).

In this joint study, we examine technology transfer and the learning processes related to foreign direct investment (FDI) from advanced to developing countries. Our primary objectives are to point out problems concerning multinational corporations (MNCs), and policies related to, and institutional delays seen, in host countries, focusing on technology transfer, the development of parts and components industries (what we call “supporting industries”), R&D activities and their policies, organizational and institutional aspects, etc. In general, it is said of MNCs that: (i) technology transfer to host countries is seldom realized; and (ii) purchases of domestically-produced parts and components are quite limited (weak backward linkages). We studied the main causes of these questions, focusing on existing practices and possible measures to improve the situation, through case studies in specific industries in several developing countries.

Three study teams were organized (Japan, UK and US): the Japanese team mainly focused on Japan’s FDI to Asia (textile industries in the Philippines and Thailand, for example) and related issues such as finance and subcontracting systems; the UK team examined the FDI-related automotive industries in India and Brazil; and the US team studied traditional industries as well as FDI to Mexico (furniture and electronics industries). All teams surveyed private initiatives, government policies, and institutional arrangements with respect to the above mentioned issues. Some recommendations and policy suggestions for developing countries on R&D and fostering supporting industries are drawn from the comparative study made by the three teams.

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We organized an international workshop at the IDE regarding the said topics on December 15-16, 1997. Together with IDE members, Professors J. Humphery, M. Piore, and C. Ruiz Durán participated in the workshop. Three commentators, Mr. Hiroshi Namikawa (Factory Manager, Miyagi Mill, TOYOBO Co., Ltd.), Mr. Yuji Tanaka (Associate Professor, Hokkaido Information University), and Mr. Yoshio Koyama (Development Specialist, Institute for International Cooperation, JICA), also took part in the workshop.

We are grateful to all participants for their stimulating comments and contributions on that occasion. Our thanks go also to the IDE staff for their help in administration and publication, especially to Mr. Kenji Komine who provided administration expertise.

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Any opinions expressed in this volume are those of the authors and not of their organizations.

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