Agarwal, Jamuna Prasad

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Determinants and structural development of FDI in Pacific-Rim developing countries

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by

J.P. Agarwal

Institut für Weltwirtschaft an der Universität Kiel

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Kiel Institute of World Economics
Department IV
Düsternbrooker Weg 120, D-2300 Kiel

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The movements of foreign direct investment (FDI) in the recent past are marked by a relatively very high growth in the Pacific Rim (PR) countries (Australia, Brunei, China, Hongkong, Japan, Indonesia, Malaysia, Papua New Guinea, New Zealand, Philippines, Singapore, Taiwan, Thailand). The developing countries of this area were able to raise considerably their share of the total world outflows in the first half of this decade (Table A1). In the following analysis an attempt is made to work out the determinants of FDI in these countries. Unlike trade there is no well developed general theory explaining all patterns of FDI. Therefore a useful approach is to look at the past record of these countries in the light of factors such as economic growth, level of development or political relations, which generally play an important role in the inflow of these investments. As far as the selection of these factors are concerned, guidance is available from the existing literature. There are several studies examining the determinants of FDI on the basis of time series and cross national data[1]. It is neither possible nor necessary to list all FDI determinants for purposes of this paper. Therefore only those variables have been selected (Section II) for this analysis which appeared to be more relevant for PR developing countries and for whom quantitative data are available. It is based on the eclectic theory of FDI (Dunning, 1973 and 1977) and assumes that the locational factors of these countries play the primary role for the inflow of investments. Notwithstanding, the comparative ownership advantages of the foreign investors are no less important. However considering the share of PR developing countries in total FDI-flows, the small country assumption underlying this analysis is not unrealistic.

The second question examined in this paper is about the structural changes in the flow of FDI into PR developing countries. In

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Thanks are due to Ulrich Hiemenz for useful comments on an earlier draft of the paper.

[1] See e.g. Schneider and Frey (1985), Clegg (1987) and for a survey of earlier studies Agarwal (1980).

the home as well as host countries structural transformation has led to shifts in the contribution of different sectors to their national incomes. Therefore it is found useful to investigate whether FDI has been flowing in the recent past relatively more into those industries of the host countries whose share in their total manufacturing value added has been increasing in order to take advantage of their changing industrial structure. In the available literature there is no study dealing with these two questions exclusively for PR developing countries. Many of the existing publications have examined determinants of FDI either in one or more of individual countries or a cross section of all developing countries for whom the required data were available. The relation between changing industrial structure and FDI does not appear to have drawn the attention of serious research even at that level. Therefore, the attempt made in this paper in the said direction is worthwhile.

Section I describes the basic equation and data. The results of the equation estimates are discussed in section II. This is followed by a discussion of changes in sectoral distributions of FDI and industrial value added in home and host countries. Last section is devoted to concluding remarks.

I. The Estimated Equation and the Data

The estimates of the relative influence of selected variables on the inflow of FDI in PR developing countries are based on the following equation:

$$FDI = a_o + \underset{a_1>0}{a_1 IPC} + \underset{a_2>0}{a_2 GNP} + \underset{a_4>0}{a_4 CAB} + \underset{a_5<0}{a_5 CRE} + \underset{a_6>0}{a_6 BA} + \underset{a_7>0}{a_7 MA} + U$$

IPC, GNP, CAB, CRE, BA and MA denote income per capita, growth of gross national product, current account balance, change in relative earnings per employee, bilateral aid and multilateral aid, respectively. U is the error term.

IPC is measured in US dollars and is assumed to represent the development level of host countries. It is expected that higher the level of development of a country the more is likely to be the demand for and thus the inflow of FDI in it. GNP variable is represented by real annual growth of gross national product in 1980 prices in the local currencies of respective countries. The relation between GNP and FDI is hypothesised to be positive because a higher rate of growth of income creates a greater demand for investment via consumption. However, the relation between these two variables on the one hand and FDI on the other has been sometimes controversal in the literature. Reuber (1973), for example, maintained that the flow of FDI was not correlated with the growth of GDP, but Root and Ahmed (1979) found an opposite evidence from their discriminant analysis of 58 developing countries. In a more recent study by Schneider and Frey (1985) both IPC and the growth of GNP proved to be important determinant of FDI. So it is apparently useful to examine this question for the group of the selected countries here.

The coefficient of current account balance is hypothesised to be positive. The inflow of FDI in itself is generally accompanied with imports of inputs by the foreign investors in the host countries and as such leads to that extent to a deficit in their current accounts. However if this deficit is not compensated by other exports of the host countries and tends to be relatively larger than the long-term capital inflows, the investors may be scared to undertake FDI in these countries because such deficits may force the host governments to restrict the convertibility of their currencies which may have negative impact on the repatriability of capital and profits of the foreign investors.

Relatively lower costs of labour after accounting for productivity differences are considered as an important locational advantage of developing countries for attracting FDI from the developed countries (see e.g. Riedel, 1975). International comparison of absolute wages or wage costs is however not feasible in this study on statistical grounds. Therefore changes in the in-

dices of real earnings per employee in the host countries in relation to changes in corresponding indices in the home countries were considered as a proxy determinant variable in the regression equation. If the earnings in the former increase faster than in the latter countries, CRE will show upward trend and foreign investors would be discouraged from investing in the respective countries.

The last two variables of aid contain both economic and political elements. Economic aid eases some of the constraints imposed on economic growth of developing countries in early stages of their development when the balance of payments tends to remain in deficit. Since FDI may be sensitive to balance of payments, flow of economic aid is likely to be conducive to the flow of FDI in a developing country. This applies to both bilateral and multilateral aid. However, flow of aid is not quite independent of political influences (Schneider and Frey, 1985). The higher the amount of aid received by a country, the closer are likely to be its political relations with the donor country. Therefore, a positive relation is hypothesised between bilateral aid and FDI. Multilateral aid is not supposed to be dominated by political influences of any one donor country. Moreover, developing countries are also represented in decision making process of multilateral aid giving institutions. Nonetheless, the conditions under which Western multilateral aid is granted do not differ significantly from those under which the bilateral aid from the selected donor countries is granted. Therefore, a positive relationship between MA and FDI - as in the case of BA also - is hypothesised.

The regression estimates (OLS) are based on pooled data of South Korea, Hongkong, Indonesia, Malaysia, Philippines, Singapore, Taiwan, and Thailand for the years 1978 to 1986. In some of these cases, the required figures are not available and they had to be ignored. Estimates have been made for four investing countries (USA, UK, Japan and the Federal Republic of Germany) separately and for all members of Development Assistance Committee of

OECD together. This selection is based on the availability of Statistics on FDI from the home countries. The home country data on FDI are considered more suitable for this analysis than the host country data because the former in many cases are collected on approval basis with varying degrees of actual implementation (Langhammer, Groß, 1986). The data used here are on total FDI. Continuous series of FDI data as required for this regression analysis are not available separately for the manufacturing sector in all the cases. However, in the case of those countries where data for manufacturing sector were available separately, alternative regressions were run and the results are quoted in the paper whenever they differed from those obtained from total FDI. Further, annual data on FDI are beset with strong fluctuations not always justified on grounds of locational conditions in the host countries. Therefore it is assumed that the relation between these and the inflows of FDI are based on a longer period than one year and this is accounted by taking a three year moving average of the annual flows of FDI as the dependent variable in the equation.

II. Results of the Model Estimates

The results of the ordinary least squares estimates of the regression equation are presented in Table 1. The two most striking determinants of the flow of FDI in the PR developing countries are the level of economic development of the host countries as measured in terms of income per capita and financial aid received by them either from the home countries of the investors or from the multilateral institutions such as the World Bank.

IPC is the only variable in the model whose coefficients are significantly different from zero and have the hypothesised sign in all the five regression estimates. Moreover, the standardised regression coefficients (β-coefficients) of IPC are higher than those of other independent variables with the exception of aid[1]

[1] This is in line with the results of a larger study encompassing more than fifty developing countries by Schneider and Frey (1985).

Table 1 - Determinants of FDI in Pacific Rim Countries[a]; Regression Results from their Global Data for the Years 1978 to 1986

	Independent Variables										
Dependent Variable	Constant term	Income of per capita[b]	Growth of real GNP	Current account balance	Change in relative earnings[c]	Bilateral aid[d]	Multilateral aid[d]	R^2	$\bar{R}^2$	F-Statistic	N
FDI DAC	-462.79	0.12***	25.28*	-0.00	0.62**	0.70***	-0.26	0.51	0.44	6.89	46
	(-1.91)	(4.30)	(1.69)	(-0.03)	(0.24)	(3.96)	(-0.93)				
		[0.76]	[0.25]	[-0.004]	[0.03]	[0.95]	[-0.26]				
FDI USA	-142.53*	0.04**	18.12	-0.01	0.08	-0.46*	0.43**	0.31	0.20	2.90	46
	(-0.79)	(2.03)	(1.64)	(-0.63)	(0.43)	(-1.97)	(2.35)				
		[0.43]	[0.28]	[-0.11]	[0.01]	[-0.35]	[0.69]				
FDI PRG	-15.42	0.01***	1.13	-0.002*	0.03	0.14**	-0.01	0.59	0.52	9.00	45
	(-0.84)	(4.48)	(0.95)	(-1.66)	(0.17)	(2.41)	(-0.80)				
		[0.76]	[0.13]	[-0.24]	[0.02]	[0.40]	[-0.18]				
FDI UK	-5.37	6.04***	6.40	0.03**	-1.55	-1.52*	0.33***	0.74	0.66	10.66	30
	(-0.06)	(6.21)	(0.83)	(2.47)	(-1.24)	(-1.69)	(4.13)				
		[1.22]	[0.22]	[0.42]	[-0.21]	[-0.30]	[1.21]				
FDI Japan	-157.78	0.10***	42.40***	0.03*	-4.68**	2.09***	0.11	0.56	0.51	10.34	46
	(-0.78)	(4.15)	(3.33)	(1.72)	(-2.02)	(5.72)	(0.61)				
		[0.74]	[0.48]	[0.23]	[-0.25]	[1.26]	[0.13]				

[a] Foreign direct investment of the USA, UK, Japan and FRG in South Korea, Hongkong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Thailand (three year moving averages). - [b] GNP per capita in US$. - [c] Real earnings per employee (1980 = 100) in the host countries divided by the corresponding indices of the home countries; in the case of DAC countries the average of the four home countries has been considered. - [d] Gross official development assistance plus grants.

t-values are given in parentheses followed by standardised (β) coefficients in [] brackets.
* significant at 10 per cent level using two-tailed test;
** significant at 5 per cent level using two-tailed test;
*** significant at 1 per cent level using two-tailed test.

Source: The World Bank, World Tables 1987, The Fourth Edition, Washington, D.C. 1988. - OECD, Geographical Distribution of Financial Flows to Developing Countries, Paris, various years. - Taiwan Statistical Data Book, Taipeh 1987. - US Department of Commerce, Survey of Current Business, Washington, D.C., various years. - Business Statistics Office, Business Monitor: Overseas Transactions MA4, 1984, London 1986. - Bundesanzeiger: Runderlaß Außenwirtschaft betreffend Vermögensanlagen Gebietsfremder im Wirtschaftsgebiet, Köln, various issues. - The Ministry of Finance, monthly Finance Review, Tokyo, various issues.

indicating that the level of development is the strongest pulling force for FDI in a country as far as the demand side is concerned. Higher economic development promises through higher incomes not only a greater absorptive capacity of the goods produced by the foreign firms but also a better supply of services and other inputs needed by them in the host countries.

Economic aid is the second important determinant variable in terms of β-coefficients estimated in the model. It is, however, divided into bilateral and multilateral aid given by the home countries of the investors. The results show important differences between the impacts of these two kinds of aid on the flow of FDI from the home countries. Bilateral aid is the most important determinant in the case of Japan. The standardised β-coefficient of Japanese bilateral aid is more than 70 per cent higher than the β-coefficient of IPC. As discussed elsewhere (Agarwal, 1986), Japan is quite known for having successfully used her aid to encourage FDI in Asian developing countries. Bilateral aid seems to play a significant positive role in the flow of FDI also from the Federal Republic of Germany and DAC countries as a group. For the United States and the United Kingdom, however, coefficients of bilateral aid are negative and those of multilateral aid are - as hypothesised - positive. In terms of standardised regression coefficients, multilateral aid seems to have the highest effect on American FDI in PR developing countries. Nonetheless, the differences in the signs of coefficients of BA and MA variables in the cases of the USA and the UK deserve attention as these coefficients are significantly different from zero. At least American policy towards FDI is that the investors going for production sites abroad should be able to stand economically on their own legs and not look for help from the home government (Hiemenz, Langhammer et al., 1987). In most of the cases American FDI comes from larger multinational corporations and they can live up with this American attitude. Also the British aid seems to be allocated more on humanitarian grounds. High rates of economic growth and the associated development might have made most of the PR countries less deserving

for the American and British aid in the recent past. This may have led to the negative relation between their bilateral aid and FDI yielded by the model estimates. Further, the discussion following the international debt crisis and the role played by the multinational institutions in its management, especially the International Monetary Fund, may have motivated the American and British investors to shift the orientation of their investment strategies from bilateral to multilateral aid in so far as its fluctuations are able to indicate the changes in political and economic climate in host developing countries.

Of the remaining three exogenous variables (GNP, CAB and CRE), only the growth of GNP seems to be of some important consequence for FDI in PR developing economies. Its coefficient is positive in all the five cases and significantly different from zero for Japan and the DAC members. The association between growth of GNP and investment is known also from the theory of domestic investment. These two variables tend to support each other.

The evidence on the effect of balance-of-payments position on the flow of FDI is mixed. The coefficient of this variable is positive for the UK and Japan. In the other cases (USA, West Germany and DAC countries) it is negative but not significantly different from zero. Balance-of-payments position of PR countries differs from each other. The Philippines for example has faced proportionately high current account deficits whereas Hongkong and Taiwan had comfortable amounts of surpluses in the later years of the period under consideration here. Since the intensity of investment of the sample home countries in this area varies (Pangestu, 1987), the estimates have produced mixed results. Moreover, investors react to balance of payments through their investment decisions only when it undergoes serious changes which may lead to alteration of foreign exchange regulations in the host countries which was generally not the case during the period examined here.

A relative rise in earnings of employees in the selected host countries in comparison to similar earnings in Japan has had a negative effect on the FDI of Japan in these countries. In the other cases, however, the coefficient of this variable is not significantly different from zero. In the sixties and seventies low labour costs in the Eastasian developing countries were an important attraction for manufactures from the developed countries especially from Japan. Meanwhile, the wage costs have risen in many of these developing countries in the wake of their rising living standards. On the other hand, increasing robotisation of production processes has reduced the relative importance of human labour in many industries. As a result the labour cost advantage of PR developing countries for FDI from the developed countries seems to have lost some of its importance. However, such a conclusion cannot be drawn directly from our regression results because the data underlying this variable do not refer to labour costs but to changes in labour costs in PR countries in relation changes in the home developed countries. Therefore what can be concluded with a high degree of confidence from the model estimates is that the relative change in labour costs in PR developing countries, where they have increased in almost all the cases except in the Philippines (Table A2), have not adversely affected the inflow of FDI except those from Japan.

As already said there are certainly differences in investment behaviour of firms from different developed countries. In this respect, this analysis confirms the results of many other studies in this field (e.g. Clegg, 1987; Hiemenz, 1987; Kirchbach, 1985; Gross, 1985; Hill, 1985; Marsh, 1983; Kojima, 1978). What is interesting to note is that the model explains the least amount of variation (R^2 = 0.31) in the case of US FDI indicating that there are some important variables left out of the US equation. It takes into account only macro economic variables, which is in accordance with the purpose of this paper. However, FDI is also a function of firm specific variables such as internal liquidity, geographical distribution of risks and the need for local presence in the host countries in face of international competition

on product markets. These may play even a greater role in the initial stages of the majority of the investment decisions especially in the manufacturing sector. This is likely to be more so, the heavier the weight of bigger multinational corporations in the FDI of a country, which certainly applies to the USA. The alternative regressions of the American FDI exclusively in the manufacturing sector showed that none of the independent variables considered here had a statistically significant effect on FDI flows except that of relative earnings. But in this case the coefficient was not negative as hypothesised. Manufacturing sector attracted only one sixth of the American FDI in the selected PR developing countries during the period considered in this analysis. So the notion that investments in manufacturing sector may be relatively more amenable to ownership specific factors than to locational macro economic and political factors in the host countries may apply to these countries. Of course, if the economic and political conditions in the host countries are very unstable or hostile to foreign investors, the flow of FDI would be deterred to a great extent even if the investors were willing to invest on grounds of their firm specific advantages. However, PR countries except probably the Philippines had relatively stable and quite hospitable conditions for foreign investments and it is likely that the American investments were more supply determined.

III. Sectoral Analysis

This section highlights the sectors in which the thrust of FDI of the USA, UK, Germany and Japan in PR developing countries lies and analyses the changes which have taken place in this sectoral structure during the recent past. Industrial structure has been changing both in the home and host countries. Therefore, an attempt is made further to find out whether the flows of FDI in the Eastasian developing countries are related with this structural development in the sense that investors from the shrinking industries of the home countries may be increasing their investment activities in the Third World.

Comparative figures of sectoral distribution of FDI of the four home countries are given in Table 2. It is evident from this table that comprehensive data are available only for the USA and Japan. In the case of the other two countries, there are many blanks either because in many branches of the different host countries no investments have been made by the given home countries or because they are not disclosed by them on grounds of statistical secrecy.

FDI of the traditional two capital exporting countries, the USA and the UK, are highest in the servicing and trading sectors. Together these two sectors attract about two fifths of their total FDI in the Third World. Detailed data for all the PR countries are not available, but from whatever figures are given (Table 2) for them it can be said that more or less the same pattern may be applicable to the American and British FDI in these countries as well. The German and Japanese FDI in these expanding sectors are, comparatively speaking, modest, but they are increasing. Japan is famous for the overseas activities of her trading companies (Sogo Shoshas) but has only about 5 per cent of her total FDI in the Third World in trading sector. A phenomenal rise has taken place in her share of other services including banking and finance. It increased from 3 per cent in 1980 to 11 per cent in 1986. The fast expansion of Japanese investments in banking sector of developed countries have attracted much publicity during the last few years, but that this has happened in the developing countries also is less known, even if some of this increase is accounted by investments in the tax haven countries like Bahamas and Bermuda (Agarwal, 1988). Within the manufacturing sector, most of the FDI has gone into chemical and electronic industries of PR developing countries. In the former, more because chemical firms of the developed countries have accumulated relatively high firm specific advantages and prefer to exploit them internally through FDI rather than to go through inefficient markets and in the latter, more because PR developing countries have traditionally offered locational advantages to foreign investors. Electronic industry provides also a

Table 2 - Sectoral Structure of FDI of the USA, FRG, UK and Japan in All Developing Countries and Selected Pacific-Rim Countries 1980 and 1987 (per cent)

		USA	FRG	UK	Japan	USA	FRG	UK	Japan	USA	FRG	UK	Japan
		Food and kindred products				Chemical and allied products				Primary and fabricated metals			
Developing countries	1980	3.67	..	11.89[a]	1.52	8.47	17.33[a]	11.34[a]	10.93	3.14	5.00[a]	..	9.23
	1987	3.48	..	8.10[c]	1.03[b]	7.24	18.68[b]	8.04[c]	6.18[b]	1.50	4.22[b]	0.33[c]	7.38[b]
Hongkong	1980	..	..	..	0.18	4.82	..	0.74[a]	0.37	..	-	-	0.37
	1987	..	..	..	0.55[b]	4.40	..	1.24[c]	0.23[b]	0.24	-	..	0.26[b]
Singapore	1980	0.67	..	4.86[a]	1.07	1.51	..	40.66[a]	8.76	2.51	..	-	3.95
	1987	0.87	..	3.27[c]	1.28[b]	..	..	24.28[c]	19.21[b]	-0.12	-	-	2.33[b]
South Korea	1980	5.28	..	..	1.50	15.67	28.99[a]	..	22.60	0.51	-	..	6.42
	1987	4.03	..	..	1.28[b]	7.66	32.77[b]	..	13.03[b]	..	-	..	4.11[b]
Taiwan	1980	2.94	..	..	1.35	19.61	9.59[a]	..	10.27	-	-	..	4.86
	1987	2.21	..	..	0.95[b]	20.81	41.67[b]	..	8.47[b]	1.52	..	..	6.85[b]
Indonesia	1980	0.52	..	..	0.66	1.72	41.03[a]	..	1.65	..	-	..	17.02
	1987	0.18	..	..	0.40[b]	4.99	..	2.40[c]	1.52[b]	0.18	-	..	13.99[b]
Malaysia	1980	0.65	..	..	2.62	4.37	2.92[a]	7.48[a]	25.69	0.81	-	..	4.62
	1987	0.36	..	10.93[c]	2.57[b]	1.89	22.52[b]	7.82[c]	14.73[b]	0.45	-	..	12.00[b]
Philippines	1980	11.19	..	..	2.28	12.17	11.67[a]	37.44[a]	10.57	..	-	-	12.03
	1987	18.33	..	-	2.85[b]	17.59	..	19.18[c]	7.89[b]	1.16	..	-	8.87[b]
Thailand	1980	3.61	..	..	11.62	8.33	25.35[a]	8.75[a]	7.32	..	-	-	5.05
	1987	0.47	..	..	8.03[b]	..	95.00[b]	2.67[c]	5.09[b]	..	-	-	5.20[b]
		Machinery except electrical				Electrical and electronic equipment				Transport equipment			
Developing countries	1980	3.01	6.80[a]	1.11[a]	2.67	3.51	11.43[a]	3.62[a]	3.86	3.80	24.07[a]	1.93[a]	3.06
	1987	3.77	7.01[b]	0.52[c]	2.08[b]	4.13	10.94[b]	1.35[c]	2.92[b]	4.00	15.90[b]	0.93[c]	3.70[b]
Hongkong	1980	..	..	..	1.28	1.98	..	2.07[a]	1.46	-	-	-	-
	1987	2.31	..	0.13[c]	0.93[b]	0.73	1.88[b]	1.89[c]	1.17[b]	0.00	-	-	-
Singapore	1980	3.18	2.53[a]	0.83[a]	13.14	19.06	12.80[a]	5.10[a]	14.74	4.10	..	..	12.18
	1987	8.25	2.04[b]	..	13.11[b]	38.32	11.91[b]	1.90[c]	9.88[b]	2.42	..	..	4.94[b]
South Korea	1980	..	-	..	3.61	4.94	..	..	12.93	..	-	..	1.67
	1987	..	-	..	3.20[b]	11.30	..	..	11.75[b]	..	..	..	3.52[b]
Taiwan	1980	..	-	..	14.05	25.49	..	..	35.14	7.45	-	..	1.89
	1987	13.80	-	..	9.13[b]	28.89	..	..	26.45[b]	3.28	-	..	17.32[b]
Indonesia	1980	0.07	-	-	0.34	..	12.18[a]	0.28[a]	0.88	-	..	-	1.38
	1987	0.23	..	-	0.29[b]	-0.05	..	-	0.62[b]	0.00	..	-	1.56[b]
Malaysia	1980	0.81	..	0.07[a]	1.38	16.02	38.75[a]	3.30[a]	8.00	0.32	-	-	1.23
	1987	..	..	..	1.17[b]	22.14	22.52[b]	2.31[c]	9.90[b]	0.00	..	..	7.40[b]
Philippines	1980	0.33	..	-	0.65	7.43	..	..	1.14	0.65	-	-	4.39
	1987	0.33	-	-	0.55[b]	7.51	..	-	1.31[b]	-0.17	-	-	13.03[b]
Thailand	1980	-	-	..	2.78	5.56	-	..	1.77	-	-	-	7.58
	1987	0.31	-	..	9.95[b]	13.42	..	..	5.88[b]	0.00	-	-	4.86[b]

Table 2 continued

		USA	FRG	UK	Japan	USA	FRG	UK	Japan	USA	FRG	UK	Japan
		Other manufacturing				Wholesale trade				Services including banking and other finance			
Developing countries	1980	7.94	8.47[a]	12.64[a]	3.25	9.88	6.28[a]	24.80[a]	4.29	26.51	9.24[a]	16.34[a]	2.96
	1987	6.63	8.77[b]	5.47[c]	2.25[b]	9.03	5.81[b]	9.46[c]	5.17[b]	29.36	11.62[b]	32.13[c]	11.05[b]
Hongkong	1980	..	..	0.69[a]	2.83	26.61	14.17[a]	24.41[a]	24.11	29.81	67.65[a]	26.15[a]	..
	1987	..	..	1.63[c]	1.92[b]	37.03	26.33[b]	12.61[c]	20.39[b]	44.27	..	72.69[c]	28.60[b]
Singapore	1980	..	..	2.96[a]	17.09	13.21	15.20[a]	29.29[a]	5.98	10.03	..	0.24[a]	..
	1987	..	..	0.53[c]	8.28[b]	5.95	16.29[b]	10.27[c]	7.27[b]	10.59	56.52[b]	13.09[c]	5.56[b]
South Korea	1980	..	..	..	5.36	..	7.25[a]	..	0.35	..	..	..	..
	1987	4.72	..	..	4.52[b]	..	15.25[b]	..	0.59[b]	57.66	..	..	38.30[b]
Taiwan	1980	..	..	..	13.78	8.82	5.48[a]	..	1.08	17.06	..	..	..
	1987	4.42	..	..	16.18[b]	12.27	20.37[b]	..	2.76[b]	12.35	..	..	0.86[b]
Indonesia	1980	..	..	..	3.48	1.50	14.74[a]	..	0.25	1.12	..	..	..
	1987	0.46	..	..	2.18[b]	..	..	18.32[c]	0.60[b]	5.04	..	..	1.23[b]
Malaysia	1980	3.56	..	8.75[a]	3.54	..	10.83[a]	4.55[a]	1.85	1.62	..	..	..
	1987	..	..	4.81[c]	4.29[b]	4.68	16.67[b]	6.12[c]	8.42[b]	0.27	..	7.52[c]	1.79[b]
Philippines	1980	..	..	-	2.60	7.11	28.33[a]	2.74[a]	0.65	11.93	..	..	..
	1987	5.53	..	..	2.63[b]	6.94	..	..	0.88[b]	24.03	..	..	3.61[b]
Thailand	1980	..	..	..	4.55	..	39.44[a]	75.63[a]	10.86	11.11	..	0.63[a]	..
	1987	2.03	..	..	9.50[b]	3.82	120.00[b]	48.00[c]	15.38[b]	8.58	..	..	1.92[b]

[a]1981. - [b]1986. - [c]1984.

Sources: US Department of Commerce, Survey of Current Business, Washington, D.C., various issues. - Bundesbank, Die Kapitalverflechtung der Unternehmen mit dem Ausland nach Ländern und Wirtschaftszweigen 1976 bis 1981 und 1980 bis 1986, Beilage zu "Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank", Reihe 3, Zahlungsbilanzstatistik, No. 6, June 1983 and No. 3, March 1988, Frankfurt a.M. - Department of Trade and Industry, Business Statistics Office, Business Monitor, Census of Overseas Assets, 1981 and 1984 Supplements, London 1984 and 1987 respectively. - Ministry of Finance, Monetary and Financial Statistics Monthly, Tokyo, various issues.

classical example of product cycle goods suited for FDI activities in the Third World. Food and metals appear to be branches which are generally more neglected by foreign investors in PR developing countries.

Finally, data on changes in industrial shares of manufacturing value added (Table A3) were compared with changes in similar shares in FDI during the selected period. This comparison shows that the American FDI in PR developing countries has generally increased in those branches which have been contracting there in the process of industrial transformation or vice versa. In six out of the seven selected countries, the related correlation coefficients were negative, though only one of them was statistically significant at 10 per cent level (Table 3). In contrast to this, the Japanese FDI has gone mostly into those industries which were expanding in terms of their proportional contribution to the manufacturing value added of the host countries. If it is accepted that expanding industries in PR countries are also those in which these countries have their comparative advantages, then the pattern of FDI revealed in this analysis conforms the Kojima hypothesis (Kojima, 1978) that the Japanese FDI corresponds the resource endowment of developing countries whereas the American FDI does not. However, a comparison for all the developing countries together yielded that the Japanese FDI in the Third World is coming generally more from the industries which are able to raise their shares in the domestic manufacturing value added, as in the case of the USA also, though the related correlation coefficient is statistically significant only for the latter[1]. The detailed figures for the German and the British FDI in individual industries of PR developing countries are available only in a few cases so that a correlation analysis for them is not possible. At

[1] In a very detailed structural analysis Hiemenz (1987) shows that a tendency of convergency between the US and Japanese structures of FDI is already discernable also in the ASEAN countries which may also be responsible for relatively low coefficients of correlation in Table 3.

Table 3 - Correlation (Pearson) Coefficients Between Sectoral Changes[a] in Value Added and in FDI in Home and Host Countries

	USA[b]	FRG[c]	UK[c]	Japan[d]
Developing countries	0.66*	-0.13	0.37	0.24
Hongkong	-0.80*	..	..	0.62*
Singapore	-0.23	..	..	-0.13
South Korea	-0.32	..	..	0.40
Taiwan	-0.36	..	..	0.08
Indonesia	-0.37	..	..	0.72*
Malaysia	0.64	..	..	0.43
Philippines	-0.34	..	..	-0.00

[a]Food, chemicals, metals, machinery, electrical equipment, transport equipment and "other" manufacturing. - [b]1978 and 1985. - [c]1978 and 1984, sectoral data for the individual PR countries are incomplete. - [d]1976 and 1983.

*significant at 10 per cent level.

Source: UN, Industrial Statistics Yearbook, Vol. I, New York, various issues; for FDI see Table 1.

the global level, the pattern of the British FDI does not appear to be different from that of the USA or Japan. Only the German FDI seems to deviate from it. Relatively more of FDI in the Third World is undertaken by those industries of West Germany which have been loosing their share in domestic value added in the manufacturing sector. The corresponding correlation coefficient is however insignificant and very low (-0.13) for any conclusive analysis.

IV. Conclusion

FDI in the Third World have risen during the eighties by about 9 per cent per annum (Table A5). As compared to this, the growth of FDI in PR developing countries was much higher with the exception of the Philippines and Thailand (Table A6). Even in these two countries, the growth rates of FDI were not less than the average growth of FDI in all developing countries together.

The most important reason for the relatively larger flow of FDI into the selected PR developing countries is their high level of development measured in term of income per capita. This is shown by the results of the regression analysis for the direct investments of the USA, West Germany, the UK and Japan in this area. Strong economic development tends to attract foreign investors, on the one hand, through demand affect on their final products and on the other hand through supply of inputs, infrastructure and stable economic as well as political conditions in so far as these are usually correlated with the stage of economic development of any country. Further, most of the PR developing countries considered here have been able to achieve relatively high rates of real economic growth during the eighties which also seem to have a positive effect on the inflow of productive capital from the selected home countries especially from the USA and Japan.

The second important determinant of FDI is the aid coming either from the home countries themselve or from the multilateral institutions. As usual, Japanese aid to PR developing countries

proves to be the most prominent factor responsible for large amounts of direct investments from Japan in these countries. The evidence for the German FDI in this analysis is in the same direction, though it is not as strong as for Japan. The American as well as the British investors are oriented more towards multilateral aid. Their direct investment in this region is accounted mostly by the services sector including trade. The German and Japanese FDI in this expanding sector is modest but has been increasing, especially in the case of Japan.

Within the manufacturing sector, FDI has been undertaken mostly in the chemical and electronic industries of the PR developing countries. Chemical industry is generally dominated by international investments, but the concentration of FDI in electronic sector in these countries is likely to be related with locational advantages such as stable political conditions, growing demand for final products, good infrastructure, liberalisation of goods and capital markets. Labour costs do not seem to play an important role in the eighties as they did earlier.

In most of the PR developing countries the American direct investments have increased relatively more in the industries whose shares in total manufacturing value added were going down whereas those of Japan have risen in the industries able to raise their shares of manufacturing value added. In this sense, the latter were in accordance with the comparative advantages of the host countries supporting the Kojima hypothesis. However, considering the total FDI in the Third World, it is found that both the Japanese and the American investments came more from their expanding rather than contracting industries. From the point of view of long run viability of direct investments, it is important that they are made in industries which have greater growth prospects in the host countries. In this respect, however, not all developing countries of the Pacific Rim are alike (Table A3). Therefore, comparative advantages of host countries should be weighed carefully in investment decisions of foreign investors in this region notwithstanding the fact that the prospects of its continued high economic growth remain very good.

Table A1 - Shares of Selected Regions in Gross Outflow of FDI from all Countries, 1970-1985

	1970[a]		1980		1985	
	$ Bill.	per cent	$ Bill.	per cent	$ Bill.	per cent
Total Outflow	12.5	100	53.3	100	55.7	100
of which in[b]:						
PR developing countries	0.5	4	3.5	7	5.6[c]	10
PR developed countries	1.3	10	2.3	4	3.9[d]	7
Latin America	1.3	10	6.2	12	4.8	9
Western Europe	4.7	38	21.0	39	15.7	28
USA	0.9	7	16.9	32	19.4	35

[a]1970/71, total outflow from developed market economies only. - [b]The shares are based on the inflows of FDI which are not always comparable with the outflow data. - [c]includes other countries of South and South-East Asia. - [d]Excluding New Zealand.

Source: UNCTC, 1985, p. 18. - The CTC Reporter, 1987, p. 3. - IMF, International Financial Statistics, various issues. - Australian Bureau of Statistics, Foreign Investment Australia 1986-87, Canberra 1988.

Table A2 - Index of Relative Earnings per Employee in Selected Countries, 1978-1985 (1980 = 100)

	Index of real earnings per employee 1980=100	Index of real earnings per employee (1980=100)					Real earning per employee in relation to:				
		USA	UK	FRG	Japan	Average	USA	UK	FRG	Japan	Average
	(1)	(2)	(3)	(4)	(5)	(6)	(1):(2)	(1):(3)	(1):(4)	(1):(5)	(1):(6)
Korea											
1978	94.3	108.6	95.3	96.9	98.6	99.9	86.8	99.0	97.3	95.6	94.4
1979	104.6	104.6	98.2	99	101.6	100.9	100.0	106.5	105.7	103.0	103.7
1980	100	100	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0
1981	98.3	99.7	100.6	99.3	101.5	100.3	98.6	97.7	99.0	96.8	98.0
1982	102.8	99.8	102.2	98.5	104	101.1	103.0	100.6	104.4	98.8	101.7
1983	109	102.3	105.8	99.3	105.3	103.2	106.5	103.0	109.8	103.5	105.6
1984	124.2	97.8	123.2	100.5	109.3	107.7	127.0	100.8	123.6	113.6	115.3
1985	125.9	101.2	131.7	99.8	113.3	111.5	124.4	95.6	126.2	111.1	112.9
Hongkong											
1978	94.8	108.6	95.3	96.9	98.6	99.9	87.3	99.5	97.8	96.1	94.9
1979	101.8	104.6	98.2	99	101.6	100.9	97.3	103.7	102.8	100.2	100.9
1980	100	100	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0
1981	100.4	99.7	100.6	99.3	101.5	100.3	100.7	99.8	101.1	98.9	100.1
1982	99.2	99.8	102.2	98.5	104	101.1	99.4	97.1	100.7	95.4	98.1
1983	102.6	102.3	105.8	99.3	105.3	103.2	100.3	97.0	103.3	97.4	99.4
1984	110.1	97.8	123.2	100.5	109.3	107.7	112.6	89.4	109.6	100.7	102.2
1985	NA	101.2	131.7	99.8	113.3	111.5	NA	NA	NA	NA	NA
Indonesia											
1978	91.8	108.6	95.3	96.9	98.6	99.9	84.5	96.3	94.7	93.1	91.9
1979	93.6	104.6	98.2	99	101.6	100.9	89.5	95.3	94.5	92.1	92.8
1980	100	100	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0
1981	108.3	99.7	100.6	99.3	101.5	100.3	108.6	107.7	109.1	106.7	108.0
1982	123.2	99.8	102.2	98.5	104	101.1	123.4	120.5	125.1	118.5	121.8
1983	128.4	102.3	105.8	99.3	105.3	103.2	125.5	121.4	129.3	121.9	124.4
1984	127.4	97.8	123.2	100.5	109.3	107.7	130.3	103.4	126.8	116.6	118.3
1985	146.8	101.2	131.7	99.8	113.3	111.5	145.1	111.5	147.1	129.6	131.7
Malaysia											
1978	88.4	108.6	95.3	96.9	98.6	99.9	81.4	92.8	91.2	89.7	88.5
1979	95.5	104.6	98.2	99	101.6	100.9	91.3	97.3	96.5	94.0	94.7
1980	100	100	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0
1981	101.9	99.7	100.6	99.3	101.5	100.3	102.2	101.3	102.6	100.4	101.6
1982	110.6	99.8	102.2	98.5	104	101.1	110.8	108.2	112.3	106.3	109.4
1983	117.4	102.3	105.8	99.3	105.3	103.2	114.8	111.0	118.2	111.5	113.8
1984	126.1	97.8	123.2	100.5	109.3	107.7	128.9	102.4	125.5	115.4	117.1
1985	140.2	101.2	131.7	99.8	113.3	111.5	138.5	106.5	140.5	123.7	125.7

Table A2 continued

	Index of real earnings per employee 1980=100	Index of real earnings per employee (1980=100)					Real earning per employee in relation to:				
		USA	UK	FRG	Japan	Average	USA	UK	FRG	Japan	Average
	(1)	(2)	(3)	(4)	(5)	(6)	(1):(2)	(1):(3)	(1):(4)	(1):(5)	(1):(6)
Philippines											
1978	105.9	108.6	95.3	96.9	98.6	99.9	97.5	111.1	109.3	107.4	106.1
1979	98.9	104.6	98.2	99.0	101.6	100.9	94.6	100.7	99.9	97.3	98.1
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	98.0	99.7	100.6	99.3	101.5	100.3	98.3	97.4	98.7	96.6	97.7
1982	83.2	99.8	102.2	98.5	104.0	101.1	83.4	81.4	84.5	80.0	82.3
1983	77.7	102.3	105.8	99.3	105.3	103.2	76.0	73.4	78.2	73.8	75.3
1984	67.3	97.8	123.2	100.5	109.3	107.7	68.8	54.6	67.0	61.6	62.5
1985	54.2	101.2	131.7	99.8	113.3	111.5	53.6	41.2	54.3	47.8	48.6
Singapore											
1978	90.5	108.6	95.3	96.9	98.6	99.9	83.3	95.0	93.4	91.8	90.6
1979	94.8	104.6	98.2	99.0	101.6	100.9	90.6	96.5	95.8	93.3	94.0
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	108.6	99.7	100.6	99.3	101.5	100.3	108.9	108.0	109.4	107.0	108.3
1982	119.1	99.8	102.2	98.5	104.0	101.1	119.3	116.5	120.9	114.5	117.8
1983	131.8	102.3	105.8	99.3	105.3	103.2	128.8	124.6	132.7	125.2	127.7
1984	141.5	97.8	123.2	100.5	109.3	107.7	144.7	114.9	140.8	129.5	131.4
1985	NA	101.2	131.7	99.8	113.3	111.5	NA	NA	NA	NA	NA
Taiwan											
1978	56.77	108.6	95.3	96.9	98.6	99.9	52.3	59.6	58.6	57.6	56.9
1979	68.73	104.6	98.2	99.0	101.6	100.9	65.7	70.0	69.4	67.6	68.2
1980	84.27	100.0	100.0	100.0	100.0	100.0	84.3	84.3	84.3	84.3	84.3
1981	100.0	99.7	100.6	99.3	101.5	100.3	100.3	99.4	100.7	98.5	99.7
1982	109.7	99.8	102.2	98.5	104.0	101.1	109.9	107.3	111.3	105.4	108.4
1983	116.6	102.3	105.8	99.3	105.3	103.2	114.0	110.2	117.4	110.7	113.0
1984	134.59	97.8	123.2	100.5	109.3	107.7	137.6	109.2	133.9	123.1	125.0
1985	132.15	101.2	131.7	99.8	113.3	111.5	130.6	100.3	132.4	116.6	118.5
Thailand											
1978	99.8	108.6	95.3	96.9	98.6	99.9	91.9	104.7	103.0	101.2	99.9
1979	99.9	104.6	98.2	99.0	101.6	100.9	95.5	101.7	100.9	98.3	99.1
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	105.6	99.7	100.6	99.3	101.5	100.3	105.9	105.0	106.3	104.0	105.3
1982	120.4	99.8	102.2	98.5	104.0	101.1	120.6	117.8	122.2	115.8	119.1
1983	134.5	102.3	105.8	99.3	105.3	103.2	131.5	127.1	135.4	127.7	130.4
1984	151.1	97.8	123.2	100.5	109.3	107.7	154.5	122.6	150.3	138.2	140.3
1985	158.6	101.2	131.7	99.8	113.3	111.5	156.7	120.4	158.9	140.0	142.2

Source: Calculated from the World Bank, World Tables 1987, op.cit., Taiwan Statistical Data Book, op.cit.

Table A3 - Shares in Industrial Value Added by Sector (ISIC) in Selected Home and Host Countries, 1978 and 1985 (per cent)

		Food	Chemicals	Metals	Machinery	Electrical Machinery	Transport Equipment	Other Manufactures
USA	1978	9.61	15.25	13.36	12.57	8.84	12.06	28.30
	1985	10.45	15.12	9.77	11.60	11.16	12.87	29.03
West Germany	1978	10.00	17.25	13.47	12.79	11.12	11.95	23.42
	1984	9.05	19.04	12.38	12.98	12.05	12.97	21.53
UK	1978	11.79	14.73	13.71	12.18	8.31	11.07	28.21
	1984	12.98	16.55	10.78	11.65	10.41	10.13	27.50
Japan	1976	9.59	14.54	15.24	11.32	10.59	10.60	28.12
	1983	9.62	15.21	13.42	12.05	14.20	10.55	24.94
Hong Kong	1978	4.03	10.86	8.79	1.89	12.33	2.14	59.96
	1984	3.80	10.85	7.10	1.99	16.70	2.19	57.37
Singapore	1978	5.54	23.88	7.00	7.98	20.50	12.23	22.88
	1985	5.26	19.05	7.48	7.61	31.64	9.67	19.29
South Korea	1978	12.77	17.54	10.26	3.89	8.86	6.80	39.88
	1984	9.21	18.14	11.94	4.47	11.94	8.54	35.77
Taiwan	1978	7.19	29.56	10.69	3.90	11.82	5.51	31.24
	1986	5.46	28.50	10.88	4.22	17.67	5.48	27.70
Indonesia	1978	17.59	20.02	3.39	1.73	4.84	4.95	47.48
	1984	12.45	16.18	14.93	1.36	3.35	5.54	46.18
Malaysia	1978	22.83	21.92	6.38	2.61	9.43	3.46	33.38
	1984	18.62	23.47	6.26	2.55	16.43	4.63	28.05
Philippines	1979	22.11	12.44	4.61	1.71	4.14	11.34	43.64
	1984	32.72	22.14	10.06	1.08	7.34	1.45	25.22

Source: UN, Industrial Statistics Yearbook, Vol. I, New York, various years. - Department of Statistics, Ministry of Economic Affairs, Industrial Production Statistics Monthly, Taiwan Area, The Republic of China, December issues 1985 and 1987.

Table A4 - Sectoral Structure of FDI of the USA, FRG, UK and Japan in All Developing Countries and Selected Pacific-Rim Countries 1980 and 1987 (Millions)

		USA $	FRG DM	UK £	Japan US$	USA $	FRG DM	UK £	Japan US$	USA $	FRG DM	UK £	Japan US$
		Food and kindred products				Chemical and allied products				Primary and fabricated metals			
Developing countries	1980	1932	..	741[a]	303[b]	4462	2202[a]	706[a]	2179[b]	1652	636[a]	..	1840[b]
	1987	2474	..	1127[c]	505[b]	5150	3302[b]	1118[c]	3041[b]	1066	746[b]	46[c]	3632[b]
Hongkong	1980	..	..	..	2[b]	95	..	6[a]	4[b]	..	-	-	4[b]
	1987	..	..	..	19[b]	240	..	19[c]	8[b]	13	-	..	9[b]
Singapore	1980	8	..	20[a]	10[b]	18	..	170[a]	82[b]	30	..	-	37[b]
	1987	22	..	43[c]	33[b]	..	..	319[c]	494[b]	-3	-	-	60[b]
South Korea	1980	31	..	..	17[b]	92	20[a]	..	257[b]	3	-	..	73[b]
	1987	41	..	..	28[b]	78	58[b]	..	285[b]	..	-	..	90[b]
Taiwan	1980	15	..	..	5[b]	100	7[a]	..	38[b]	-	-	..	18[b]
	1987	29	..	..	10[b]	273	45[b]	..	89[b]	20	..	..	72[b]
Indonesia	1980	7	..	..	29[b]	23	64[a]	..	73[b]	..	-	..	753[b]
	1987	7	..	..	35[b]	196	52[b]	8[c]	132[b]	7	-	..	1213[b]
Malaysia	1980	4	..	..	17[b]	27	7[a]	41.9[a]	167[b]	5	-	..	30[b]
	1987	4	..	109[c]	33[b]	21	50[b]	78[c]	189[b]	5	-	..	154[b]
Philippines	1980	137	..	..	14[b]	149	7[a]	8.2[a]	65[b]	..	-	-	74[b]
	1987	222	..	-	26[b]	213	15[b]	14[c]	72[b]	14	..	-	81[b]
Thailand	1980	13	..	..	46[b]	30	18[a]	3[a]	29[b]	..	-	-	20[b]
	1987	6	..	..	71[b]	..	19[b]	2[c]	45[b]	..	-	-	46[b]
		Machinery except electrical				Electrical and electronic equipment				Transport equipment			
Developing countries	1980	1584	864[a]	69[a]	532[b]	1849	1453[a]	225[a]	769[b]	2002	3059[a]	120[a]	611[b]
	1987	2681	1240[b]	72[c]	1025[b]	2943	1935[b]	188[c]	1438[b]	2850	2812[b]	129[c]	1823[b]
Hongkong	1980	..	..	..	14[b]	39	..[b]	17[a]	16[b]	-	-	-	-
	1987	126	..	2[c]	32[b]	40	12[b]	29[c]	40[b]	0	-	-	-
Singapore	1980	38	19[a]	4[a]	123[b]	228	96[a]	21[a]	138[b]	49	..	..	114[b]
	1987	208	20[b]	..	337[b]	966	117[b]	25[c]	254[b]	61	..	..	127[b]
South Korea	1980	..	-	..	41[b]	29	..	..	147[b]	..	-	..	19[b]
	1987	..	-	..	70[b]	115	..	..	257[b]	..	..	..	77[b]
Taiwan	1980	..	-	..	52[b]	130	..	..	130[b]	38	-	..	7[b]
	1987	181	-	..	96[b]	379	..	..	278[b]	43	-	..	182[b]
Indonesia	1980	1	-	-	15[b]	..	19[a]	0[a]	39[b]	-	..	-	61[b]
	1987	9	..	-	25[b]	-2	3[b]	-	54[b]	0	..	-	135[b]
Malaysia	1980	5	..	0[a]	9[b]	99	93[a]	19[a]	52[b]	2	-	-	8[b]
	1987	..	..	..	15[b]	246	50[b]	23[c]	127[b]	0	..	..	95[b]
Philippines	1980	4	..	-	4[b]	91	..	..	7[b]	8	-	-	27[b]
	1987	4	-	-	5[b]	91	..	-	12[b]	-2	-	-	119[b]
Thailand	1980	-	-	..	11[b]	20	-	..	7[b]	-	-	-	30[b]
	1987	4	-	..	88[b]	172	..	..	52[b]	0	-	-	43[b]

Table A4 continued

		USA $	FRG DM	UK £	Japan US$	USA $	FRG DM	UK £	Japan US$
		Other manufacturing				Wholesale trade			
Developing countries	1980	4183	1076[a]	787[a]	648[b]	5204	798[a]	1544[a]	855[b]
	1987	4717	1551[b]	761[c]	1107[b]	6430	1028[b]	1315[c]	2545[b]
Hongkong	1980	..	..	6[a]	31[b]	524	53[a]	204[a]	264[b]
	1987	..	..	25[c]	66[b]	2019	168[b]	194[c]	700[b]
Singapore	1980	..	..	12[a]	160[b]	158	114[a]	123[a]	56[b]
	1987	..	..	7[c]	213[b]	150	160[b]	135[c]	187[b]
South Korea	1980	..	..	..	61[b]	..	5[a]	..	4[b]
	1987	48	..	..	99[b]	..	27[b]	..	13[b]
Taiwan	1980	..	..	..	51[b]	45	4[a]	..	4[b]
	1987	58	..	..	170[b]	161	22[b]	..	29[b]
Indonesia	1980	..	..	..	154[b]	20	23[a]	..	11[b]
	1987	18	..	..	189[b]	..	9[b]	61[c]	52[b]
Malaysia	1980	22	..	49[a]	23[b]	..	26[a]	26[a]	12[b]
	1987	..	..	48[c]	55[b]	52	37[b]	61[c]	108[b]
Philippines	1980	..	..	-	16[b]	87	17[a]	1[a]	4[b]
	1987	67	..	..	24[b]	84	15[b]	..	8[b]
Thailand	1980	..	..	..	18[b]	..	28[a]	22[a]	43[b]
	1987	26	..	..	84[b]	49	24[b]	36[c]	136[b]
		Services including banking and other finance				Total of all sectors			
Developing countries	1980	13966	1174[a]	1017[a]	591[b]	52684	12708[a]	6226[a]	19937[b]
	1987	20894	2055[b]	4467[c]	5439[b]	71174	17681[b]	13905[c]	49237[b]
Hongkong	1980	587	253[a]	218[a]	..[b]	1969	374[a]	835[a]	1095[b]
	1987	2414	..	1118[c]	982[b]	5453	638[b]	1538[c]	3433[b]
Singapore	1980	120	..[b]	1[a]	..[b]	1196	750[a]	420[a]	936[b]
	1987	267	555[b]	172[c]	143[b]	2521	982[b]	1314[c]	2571[b]
South Korea	1980	..	..	..	..[b]	587	69[a]	..	1137[b]
	1987	587	..	..	838[b]	1018	177[b]	..	2188[b]
Taiwan	1980	87	..	..	..[b]	510	73[a]	..	370[b]
	1987	162	..	..	9[b]	1312	108[b]	..	1051[b]
Indonesia	1980	15	..	..	..[b]	1334	156[a]	72[a]	4424[b]
	1987	198	..	..	107[b]	3929	..	333[c]	8673[b]
Malaysia	1980	10	..	..	..[b]	618	240[a]	560[a]	650[b]
	1987	3	..	75[c]	23[b]	1111	222[b]	997[c]	1283[b]
Philippines	1980	146	..	..	..[b]	1224	60[a]	22[a]	615[b]
	1987	291	..	..	33[b]	1211	..	73[c]	913[b]
Thailand	1980	40	..	0[a]	..[b]	360	71[a]	32[a]	396[b]
	1987	110	..	..	17[b]	1282	20[b]	75[c]	884[b]

[a]1981. - [b]1986. - [c]1984. - [d]Total FDI is less than FDI in trade, sector because of a negative figure in one of the industries.

Source: US Department of Commerce, Survey of Current Business, Washington, D.C., various issues. - Bundesbank, Die Kapitalverflechtung der Unternehmen mit dem Ausland nach Ländern und Wirtschaftszweigen 1976 bis 1981 und 1980 bis 1986, Beilage zu "Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank", Reihe 3, Zahlungsbilanzstatistik, No. 6, June 1983 and No. 3, March 1988, Frankfurt a.M. - Department of Trade and Industry, Business Statistics Office, Business Monitor, Census of Overseas Assets, 1981 and 1984 Supplements, London 1984 and 1987 respectively. - Ministry of Finance, Monetary and Financial Statistics Monthly, Tokyo, various issues.

Table A5 - Growth of FDI (Stock) of Selected Developed Market Economies in the Third World, 1970, 1982, 1986

	1970		1982		Average Growth 1970-1982	1986		Average Growth 1982-1986
	Bill.$	Per cent	Bill.$	Per cent		Bill.$	Per cent	
Total FDI	42.7	100.0	120.6	100.0	9.0	169.5[a]	100.0	8.9
of which								
Australia	0.3	0.7	1.5	1.2	14.4	3.0[b]	1.8	25.5
Japan	1.2	2.8	11.4[c]	9.5[c]	20.6	32.0[a]	18.9	29.5
Germany, F.R.	1.9	4.4	12.6	10.4	17.1	14.7[a]	8.7	4.0
France	3.8	8.9	9.6	8.0	8.0	10.8[a]	6.4	3.0
United Kingdom	5.9	13.8	15.8	13.1	8.6	16.1[a,d]	9.5	1.0
USA	22.3	52.2	48.1[e]	40.3[e]	6.6	60.6	35.8	5.8

[a]Approximation based on the OECD stock data of 1982 plus annual flows of FDI. - [b]Not quite comparable with earlier years due to change in FDI definition. - [c]Excluding official support ($ 6 bill.) for private investments. - [d]1984. - [e]Corrected for the difference between OECD and US Department of Commerce (Survey of Current Business, 1987) figures on US direct investment abroad.

Source: OECD, 1987. - CTC Reporter, 1987. - Der Bundesminister für Wirtschaft, 1987. - US Department of Commerce, Survey of Current Business, August 1987. - Ministère de l'Economie, France, various years, Table I-35 and I-36. - Australian Bureau of Statistics, various years. - British Business, 22 May 1987. - OECD, Development Cooperation, Efforts and Policies of the Members of the Development Assistance Committee, 1987 Report, Paris 1987.

Table A6 - Growth of FDI (Stock) in Pacific Rim Developing Countries 1971-1986 (Bill. US$)

	1971	1983	1986[a]	Growth Rate between 1971 - 1986
China, PR	1.1[b]	2.6	7.9	48.4
Hong Kong	0.6	4.2	4.2[c]	17.6
Indonesia	1.0	6.8	7.8[d]	15.8
Malaysia	0.9	6.2	6.8	15.5
Philippines	0.9	2.7	3.0[d]	9.0
Singapore	0.4	7.9	8.4[e]	26.5
South Korea	0.3	1.8	1.8[e]	16.1
Taiwan	0.7	3.9	5.9	14.2
Thailand	0.4	1.4	1.9	10.9

[a]FDI Stock in 1983 (OECD, 1987) plus the flows of FDI in the following years taken from the respective national statistical sources. - [b]1981. - [c]1983. - [d]1985. - [e]1984.

Source: OECD, 1971. - OECD, International Investment and multinational Enterprises, 1987. - Langhammer, 1986. - MIDA, 1985. - Philippine Statistical Yearbook 1986. - Singapore Economic Development Board, 1985/86. - Republic of China, Taiwan Statistical Data Book, 1987. - IMF, 1987. - Almanac of China's Foreign Economic Relations and Trade, Beijing, various issues. - Financial Times, 2. December 1987.

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