ABSTRACT

This chapter is intended to analyze the advantages to associate with a developing country like México from the perspective of the theories of the Agency, Institutional, Resource-based Theory and the Theory of Transaction Costs. Generally, FDI contributes to capital formation, expansion and diversification of exports, increasing competition, provide access to top technology and improving management systems. Mexico is one of the largest FDI recipients within the developing countries. Japan, on the other hand, is one of the largest sources of FDI worldwide, and is gaining a larger share in the Mexican FDI context since the onset of the Economic Partnership Agreement. In this paper, factors that might lead to the depletion of productive spillovers from Japanese manufacturing companies are reviewed from a qualitative perspective. The analysis suggests that inefficiencies in endogenous companies; and Japanese companies being part of firm networks (keiretsu), might lead to productive spillovers depletion.

INTRODUCTION

For decades Mexico has have a good relationship with Japan. The leaders of both countries have struggled to maintain a relationship of friendly cooperation to benefit the development of both countries. Mexico, being a source of coarse natural resources has always been in the crosshairs of industries of several countries and in recent years has improved its trade relationship with Japan to complement the lack of resources of the Asian country.
Japan as an island has limits in the scope of resources, especially agricultural. It is a country that imports 60% of its population consumes in food. This is why it is a sourcing seeking country to resolve its situation in scarcity of resources. Mexico and Japan have economic characteristics that make them complementary to each other, mainly in the food sector, where Mexico could position itself as a leading supplier of agricultural and livestock products. This complementarity should contribute to economic development in both countries through trade and investment.

The commercial relationship between Mexico and the countries of North America and Europe has grown over the decades due to the incursions of several free trade agreements such as NAFTA and the TLCUE. On the other hand Japan’s participation in the country’s imports is down from 6.1% in 1994 to 4.8% in 2001, while the share of Mexico’s total exports fell from 1.6% in 1994 to $ 0.3% in 2001. As regards the Japanese FDI, Mexico received between 1994 – 2001 only 3.3% of equity (Secretaría de Economía, 2015).

In 2005 entered into force the Economic Partnership Agreement between Mexico and Japan, a marketing agreement between the two countries would promote cooperation and boost the economy of them. But will it be to an emerging economy booming, why he chose Mexico for free trade? The answer can be seen through the theories: Theory of transaction costs, agency theory, theory based on resources and institutional theory. It begins by giving a brief overview of the relationship between Mexico and Japan, then a review of the theories that are to be used for reference and end explaining the importance of Mexico as a trading partner.

PURPOSE OF THE STUDY

The aim of this study is to determine the impact of Japanese FDI in manufacturing in Mexico in terms of technological spills that occur in the sector. In addition, to establish whether there are flaws that do not allow technological spillovers generated, if any, are older.

JUSTIFICATION

Mexico, like other countries invested in measures to attract foreign direct investment to their territories. Trade liberalization becomes stronger in the eighties, significantly reducing import tariffs on average that passed during the course of a period of three years from 23.5% to 11.8%. The base of products with low tariffs was from 92% to 25.4% during the same period 1985-1987. Additionally, the mid-nineties initiated reductions to barriers on investment from abroad, privatization of public enterprises, among others (Hanson and Harrison, 1999).

It was decided to revise the Japanese FDI due to the significant growth experienced in recent years, and the weight it has gained in the total FDI that has received Mexico. Particularly Japanese FDI in manufacturing, given that, as presented above, is the category to which most of Japanese FDI goes. Additionally, the manufacturing sector generates great interest in inter-industry and intra-industry connections that may arise.