Multinational Enterprises
Programme

Working Paper No. 85

Japanese multinationals in Australia: Employment policies and industrial relations, 1990-97

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International Labour Office Geneva

ISBN 92-2-111445-7
ISSN 1011-4971

First published 1999

Printed by the International Labour Office, Geneva, Switzerland

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1. Introduction

Australia has traditionally been a significant beneficiary of foreign direct investment (FDI) which has contributed to capital formation and brought with it new technology and management skills to increase the international competitiveness of domestic industry. Although Japanese investment in Australia has been relatively recent it has risen sharply and has occurred in a wide range of areas. Until the 1930s the United Kingdom was the dominant source of direct investment, but was surpassed by the United States for much of the postwar period. As with previous inflows of FDI, investment from Japan created new economic opportunities for the host country, building on previous investment in mining, energy and manufacturing; it also opened up new industries, such as tourism and processed food.

The entry of Japanese multinational firms into Australia has brought particular benefits and contributed to the strength of the bilateral trading relationship — the largest for Australia since the late 1960s. The genesis of Australia's emergence as a leading international source of minerals and energy was the signing of long-term contracts with Japanese trading houses, steel firms and utilities which provided a secure market for the development of coal, iron ore and later natural gas resources. Similarly, in the 1980s, Japanese investment created a hotel and resort infrastructure for the rapid expansion of Australia as an international tourist destination. As a result, one in five visitors to Australia are from Japan and account for over $A3 billion in annual tourist receipts.

In the manufacturing sector Japanese investment has contributed to the gradual development of an internationally competitive automotive industry in Australia, through capital investments by Toyota and Mitsubishi and the transfer of labour and management skills which have raised productivity in some plants to world-class level. Recently, investments and joint ventures have occurred in disparate areas, such as information technology, the dairy industry and an expansion of the Northwest Shelf natural gas project. Nevertheless, the impact of Japanese firms in Australia has attracted surprisingly few studies.

The aim of this paper is to examine the employment policies and industrial relations of Japanese multinationals in Australia between 1990 and 1997 in particular, and to provide background on the activities of these firms over a longer period. For many Japanese investors the issues of workplace and industrial relations are a key determinant of whether to invest in Australia at all. For example, at a May 1997 symposium on Australia-Japan relations, the executive director of Mitsui & Co., Mr. Kawarabayashi, stated that the Japanese business community was especially worried about Australia's labour productivity and "notorious" strike record, echoing a much-expressed concern in the postwar period, despite dramatic improvements in recent years. The particular impact of industrial relations problems on Japanese investors is a neglected area of research, despite its potential as a barrier to increased investment. Have recent reforms in Australia, such as the move to enterprise bargaining, mitigated such concerns?

The theme of whether Japanese multinationals operate differently from other international firms has been raised continually in the literature on FDI and organizational behaviour and is also of significance here. Ascertaining whether industrial disputes are less prevalent at Japanese workplaces, for example, or whether management is significantly devolved to local managers are two of the many themes which will be pursued.

The question of ownership is also important and a comparison will be made between the activities of the various forms of Japanese investment, such as local-foreign joint ventures and privatized firms. The types of investment undertaken, by industry and type (greenfield, acquisition, majority equity) are examined. Details such as the size and age of the enterprise operations, headquarters policies, the presence of a unionized workforce and responses to government policies are considered. Recent studies, such as Mason and Encarnation (1995) have emphasized the lack of data for comparisons of this type but the present paper includes new information on this matter.

The performance of Japanese multinationals will also be considered in the framework of the ILO's *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy,* the 1992 Japanese Government's proposals for *Actions Expected of Enterprises in the Development of their Business Activities Overseas* and the Nikkeiren *Guidelines for Overseas Direct Investment* which urges Japanese firms to adjust to conditions in host countries and participate in local employers' organizations. As Australia has ratified a number of ILO Conventions on labour standards, many of the principles embodied in these documents are also outlined in domestic legislation, such as the *Workplace Relations Act 1996* and the *Equal Opportunity Act 1986*. Japanese multinationals in Australia respect the provisions of this legislation.

1.1. Structure of the paper

The paper examines the impact of Japanese foreign direct investment on Australia, with particular emphasis on employment creation, skills and human capital development, and industrial relations. Special attention is paid to the automotive industry since this is one of the largest recipients of FDI and also because a significant proportion of employment of Japanese firms is in this sector. Information on employment, type of ownership, management practices and industrial relations is also relatively accessible for this industry, following recent government inquiries into tariff and other assistance arrangements accorded the industry (Industry Commission, 1996a).

The paper is organized as follows. Chapter 2 analyses the growth and pattern of Japanese FDI generally and in Australia, together with structural changes in recent decades. Trends in the inflow of FDI and reinvestment by industry are then examined (Ministry of Finance, 1997; Foreign Investment Review Board, 1997). The geographical and sectoral distribution of Japanese FDI in Australia and employment by Japanese firms are then considered over time. Chapter 3 assesses changes in the investment mode and ownership structure of investment, and Chapter 4 looks at the motivation for Japanese business to invest in Australian industry.

Chapter 5 provides details of the impact on Australia of Japanese FDI in terms of direct employment, value added, exports and local procurement. Chapter 6 assesses Japanese managerial and employment practices and industrial relations; then the extent of the transfer of management methods, diffusion among local firms, the use of local staff and socio-cultural conflicts are studied. Chapter 7 gives background briefing on government industrial relations policy since the *Workplace Relations Act 1996* and its effects on Japanese and Australian firms. The conclusions of the paper are given in Chapter 8. An appendix outlines the coverage and limitations of Japanese statistics on foreign direct investment.

2. Growth and structural change in Japanese FDI

In recent years Japan has been one of the largest sources of foreign direct investment in the world, in a period when total global flows of FDI have increased sharply, from US$63 billion in 1985 to US$360 billion in 1996. In the same period Japanese outflows rose from US$10 billion to about US$50 billion, after peaking at US$68 billion in 1989. There have been several waves of investment, triggered by a variety of factors, including deregulation in Japan, the increasing international competitiveness of many Japanese corporations and the steady appreciation of the yen following the breakdown of the Bretton Woods system in 1971.

In the pre-war period Japanese FDI occurred typically as an adjunct to international trade and trading companies were major investors (Wilkins, 1990). In the 1950s and 1960s, Japanese FDI was relatively small scale, but began to move upwards in the following decade with faster economic growth, the emergence of a current account surplus and some deregulation of outward capital controls in Japan. For the previous two decades much FDI was directed to the acquisition of secure supplies of mineral resources such as coal and iron ore, to the establishment of a marketing network and to labour-intensive manufacturing industries (Komiya and Wakasugi, 1990).

By 1970 direct investment was only significant for mining, lumber and pulp, and textiles. A decade later, chemicals, steel and electrical equipment had become active investors, with FDI over 1 per cent of industry GDP, while manufacturing FDI overall accounted for only 0.54 per cent of industry GDP. The revision of the *Foreign Exchange Law* in 1980 removed an administrative obstacle to investment, since investors no longer required prior approval but were merely required to notify the Ministry of Finance of intended investment.

While Japanese FDI had accelerated in the 1970s, this expansion was dwarfed by what was to follow, as both manufacturing and non-manufacturing industries increased direct investment, especially to the United States and East Asian countries. The changing industrial composition of Japanese FDI is shown in figures 1 and 2 for the periods from 1951 to 1979 and 1995. Notable changes over this period were the emergence of services FDI, a sudden increase in finance and insurance and real estate FDI and a decline in the relative share of commercial (wholesale and retail) investment.

The concurrent expansion of Japanese FDI in non-manufacturing sectors such as finance, insurance, real estate and services since the mid-1980s changed the composition of investment (figure 2). The share of real estate FDI, for example, jumped from 1.9 per cent of total FDI outflows in 1980 to a peak of over 21 per cent in 1991, falling to 12.5 per cent in 1994. The cumulative stock of real estate FDI in 1995 exceeded US$75 billion — an annual average increase of over 40 per cent for the decade. A similar expansion occurred for the finance and insurance industries, boosted by the bubble economy in Japan, together with a significant increase in FDI by service industries. A considerable part of such investment went to North America, Europe and Oceania. The mode of investment also changed, particularly in the United States where mergers and acquisitions accounted for 88 per cent of Japanese FDI in 1988 (Watanabe, 1993).

More recently the pace of Japanese FDI has moderated due to the economic slowdown in Japan and increased liquidity problems experienced in a number of industries due to the collapse of land and stock prices after 1990. Nevertheless, the recent Asian financial crisis does not appear to have reduced Japanese FDI in manufacturing industry in the affected countries and despite the flight of short-term speculative capital from these countries, it appears likely that FDI inflows will increase, including from Japan (Krugman, 1998).

Figure 1. The industrial composition of Japanese FDI, 1951-79

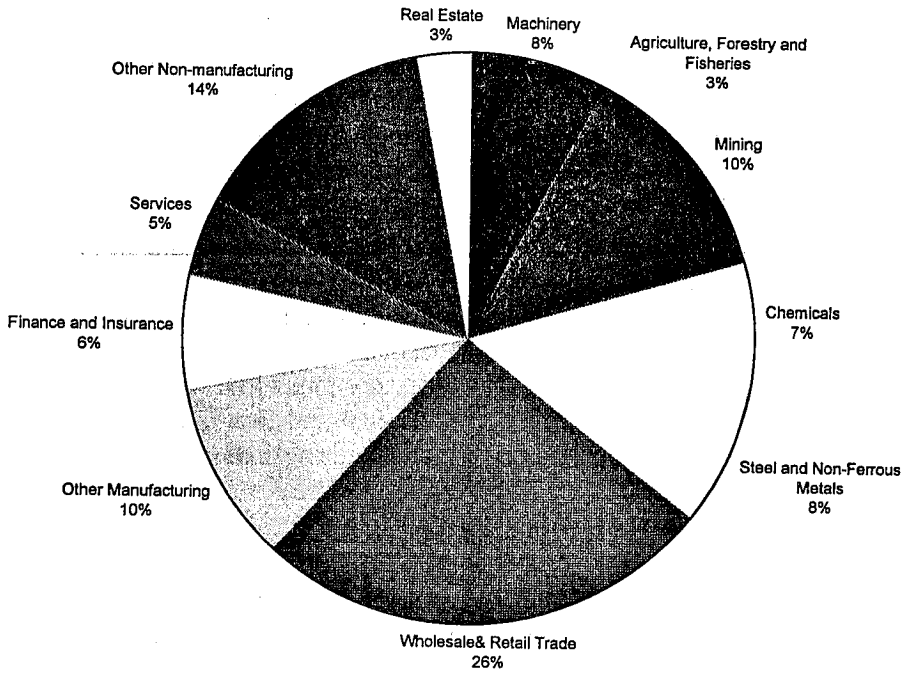
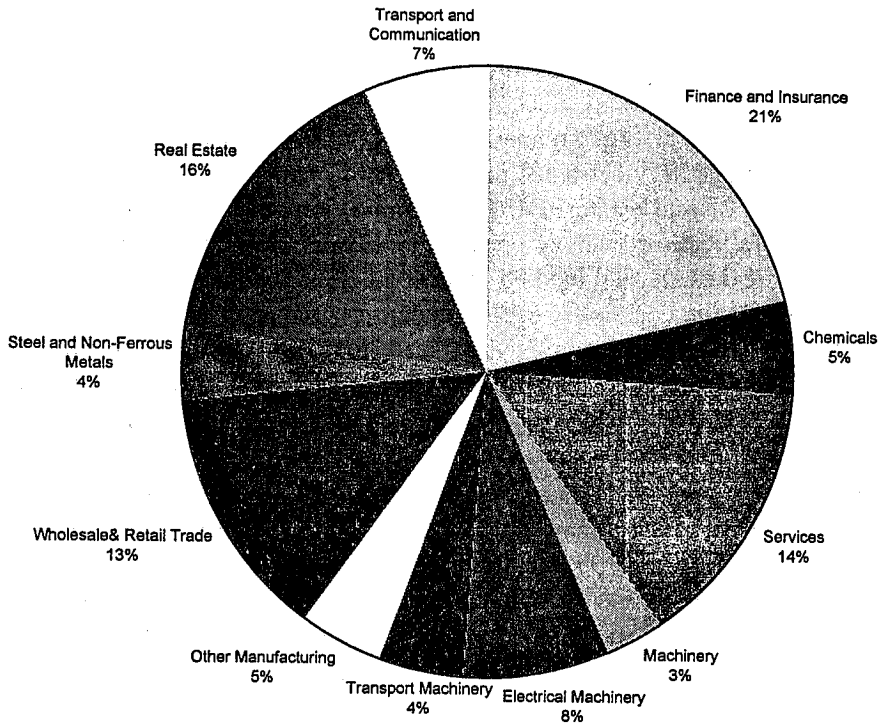


Figure 2. The industrial composition of Japanese FDI, 1951-95

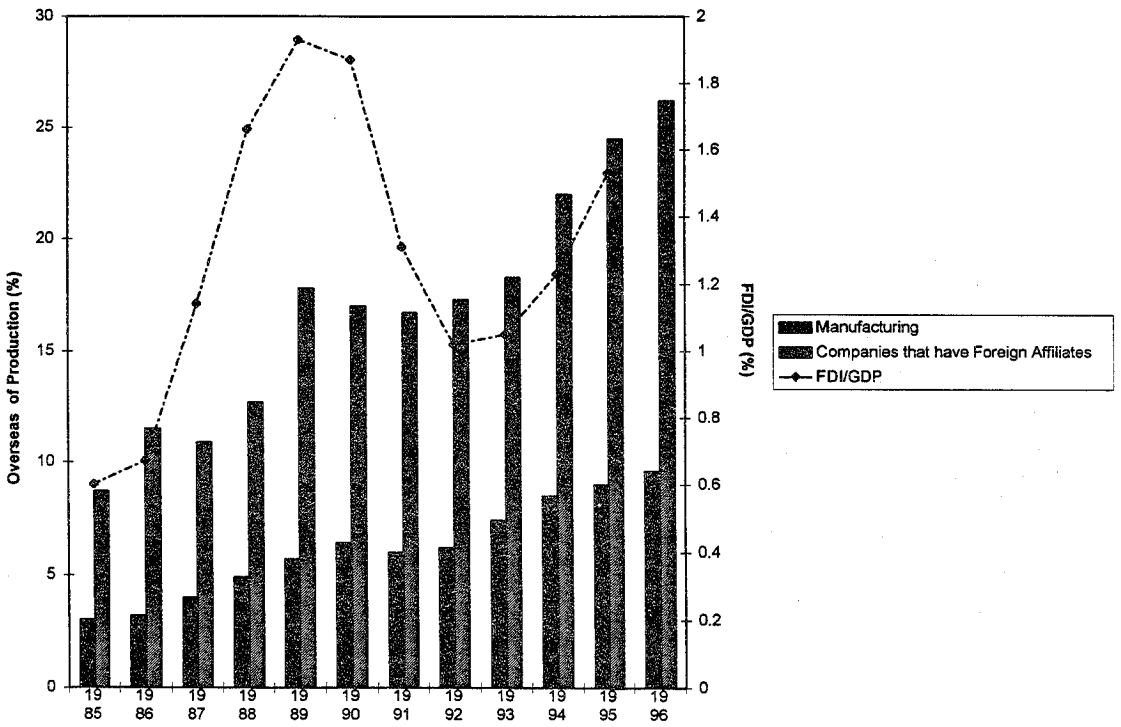


Source: Ministry of Finance (*Okura-sho*), Annual Report of the International Finance Bureau (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years.

A threshold change to postwar Japanese FDI occurred in the second half of the 1980s, following the sharp appreciation in the yen after the Plaza Accord.[1] Outflows grew very quickly in the 1980s — from under US$5 billion in 1980 to US$10 billion in 1984. They rose sharply to US$22 billion in 1986, US$47 billion in 1988 and reached a peak of US$68 billion in 1989, falling somewhat to about US$50 billion in 1995, when the cumulative level of investment approached US$800 billion.

After 1985 a wide range of manufacturing industries began to relocate production offshore in response to higher costs in Japan and the opportunities available in other markets. The increasing proportion of overseas production facilities in the Japanese electrical and electronics industries, chemicals, transport equipment (motor vehicles and parts) and general machinery is reflected in figure 3. The propensity for Japanese industry to establish operations offshore has been evident for industries significantly affected by the appreciation of the yen in recent decades, but not for industries in Japan shielded from international competition.

Figure 3. Changes in Japan's overseas production ratio, 1985-96



Sources: MITI, *Sixth Basic Survey of Overseas Business Activities of Japanese Companies, 1997*, and author's database of Japanese FDI.

[1] The Plaza Accord was announced on 22 September 1985 after a meeting of the Group of Five (G5) countries. In the agreement, the finance and central bank governors of the five countries (France, Germany Japan, United Kingdom, United States) observed that relative economic growth rates "have not been reflected fully in exchange markets" and agreed that "some further orderly appreciation of the main non-dollar currencies against the dollar is desirable". As a result of coordinated selling of the dollar by the G5 central banks, the yen continued to appreciate against the dollar and the Japanese Government agreed to adopt policies that would help achieve this goal. A very good account of the change in Japanese government policy at the time of the Plaza Accord is Funabashi (1988).

The continued appreciation of the yen from 1993 encouraged another wave of Japanese FDI and 443 new manufacturers established overseas affiliates in 1995 FY (financial year) alone, although very few of these were in Australia; 80 per cent went to China and a high proportion to other countries in East Asia. By FY 1995 the overseas production ratio for firms with foreign affiliates had risen to 25 per cent, much higher than the 9 per cent for manufacturing alone. At the end of March 1996 over 6,000 Japanese firms had established overseas affiliates, of which 3,959 responded to the Ministry of International Trade and Industry's 6th Basic Survey of 1997.

Preliminary details for FY 1997 indicate that (year to March 1998) Japanese FDI rose by 22.4 per cent over the preceding year to ¥6.6 trillion,[2] the fourth straight year of increase. Of this, manufacturing FDI rose 4 per cent to ¥2.4 trillion and non-manufacturing FDI rose by 38.7 per cent to ¥4.2 trillion. Investment in Indonesia rose 13.4 per cent to ¥309 billion, North America attracted ¥2.6 trillion (down from 47.9 per cent to 39.6 per cent) and Europe was the destination for ¥1.6 trillion, while investment in Australia continued to fall (MITI, 1997).

2.1. Geographical and sectoral distribution

The distribution of Japanese FDI by industry and region has changed significantly in recent years. Until the late 1970s, investment was almost equally divided among industrialized and developing countries, while manufacturing FDI went predominantly to developing economies in Asia (Watanabe, 1993). This pattern changed markedly in the 1980s when an increasing share of manufacturing FDI was relocated to developing countries to secure markets and avoid trade tensions flowing from the increasing trend in Japanese trade surpluses with the United States and Europe. The share of services in FDI rose sharply from the 1980s, primarily to the United States, but Europe and Oceania were also significant recipients of real estate, finance and insurance and other services investment. Investment from Japan to Africa and Latin America has declined in the last two decades.

Manufacturing operations were predominantly established in Asia and North America according to Ministry of Finance statistics. In FY 1995 the overseas production ratio of Japanese manufacturing industry was 9.0 per cent, up 0.4 points over the previous fiscal year. In FY 1996 it was expected to reach 9.6 per cent (see figure 3). In recent years, Japanese manufacturing FDI has shifted from North America and Europe to Asia, with the number of firms reaching 10,416 at the end of FY 1995 (MITI, 1997[3]). Table 1 shows the 1995 distribution of foreign affiliates of Japanese firms by country and region.

The changing sectoral distribution of Japanese FDI is shown by the decline in natural resources development, such as oil exploration and mining, compared to manufacturing — which in turn has become less important relative to services. Within the manufacturing sector the relative composition of major industries has changed over time with the rate

[2] "Trillion" in this document refers to 1,000 billion.

[3] In the survey the term "foreign affiliate" refers to foreign incorporated enterprises where the Japanese equity ownership ratio is greater than 10 per cent, as well as those foreign affiliates in which a Japanese owned subsidiary (having at least a majority of Japanese ownership interest) itself has more than 50 per cent equity share in a foreign affiliate.

of transfer of operations offshore. This transfer occurred rapidly in the electrical and electronics industry, particularly to ASEAN countries and China.

Table 1. Number of Japanese overseas affiliates by region, end of FY 1995

Region	Manufacturing		Non-manufacturing		Total	
	Number of firms	Share	Number of firms	Share	Number of firms	Share
North America	1 134	21.6	1 452	28.1	2 586	24.8
Asia	2 979	56.8	1 621	31.3	4 600	44.2
China	746	14.2	162	3.1	908	8.7
ASEAN4	1 114	21.2	495	9.6	1 609	15.4
NIES	1 042	19.9	923	17.8	1 965	18.9
Europe	752	14.3	1 206	23.3	1 958	18.8
Others	378	7.2	894	17.3	1 272	12.2
Total	5 243	100.0	5 173	100.0	10 416	100.0

Note: ASEAN4 refers to Malaysia, Indonesia, Philippines and Thailand.

Source: MITI, highlights of the 6th Basic Survey (1997).

2.2. Employment in Japanese overseas subsidiaries by industry category

The distribution of employment in Japanese overseas subsidiaries tends to be a function of the industrial allocation of direct investment by country — which in turn is related to market size, labour cost and productivity. According to the MITI 6th Basic Survey (1997) the number of employees in foreign affiliates of Japanese firms has increased considerably in recent years, particularly in Asia. In FY 1995 the number of employees in foreign affiliates was 2.33 million, the majority of whom were employed in manufacturing establishments in Asia (table 2). The rising trend of employment in subsidiaries in Asia, especially the NIES and ASEAN countries, has occurred as Japanese industry continues to relocate to lower cost areas and emerging markets.

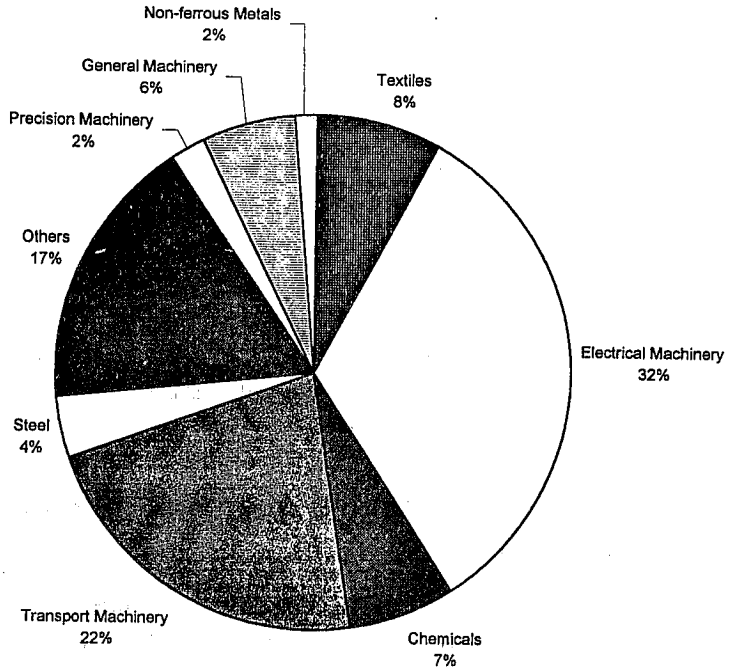
The distribution of manufacturing employment in developing countries and non-manufacturing subsidiaries in industrialized countries is clearly evident in the table below. Over 60 per cent of employees in manufacturing are in Asia, while 54 per cent of those in non-manufacturing affiliates are in North America and Europe. The distribution of employment in the manufacturing sector by Japanese overseas subsidiaries is shown in figure 4.

Table 2. Number of employees of foreign affiliates of Japanese firms in FY 1995 (including executives)

Region	Manufacturing		Non-manufacturing		Total	
	Number of employees	Share (%)	Number of employees	Share (%)	Number of employees	Share (%)
North America	371 974	20.1	185 424	39.2	557 398	23.9
Asia	1 123 221	60.6	156 317	33	1 279 538	55
China	210 707	11.4	20 920	4.4	231 627	9.9
ASEAN4	608 352	32.8	77 029	16.3	685 381	29.4
NIES	263 786	14.2	53 707	11.3	317 493	13.6
Europe	216 476	11.7	70 300	14.8	286 776	12.3
Others	143 060	7.7	61 463	13	204 523	8.8
Total	1 854 731	100	473 504	100	2 328 235	100

Source: MITI, Highlights of the 6th Basic Survey (1997).

Figure 4. Number of employees in foreign affiliates of Japanese firms in FY 1995, manufacturing industry in all regions (unit: employee)



Source: MITI, highlights of the 6th Basic Survey (1997).

In terms of employment, the major industries are electrical and electronic machinery, and transport machinery, especially motor vehicles and parts. Together, these industries accounted for 54 per cent of employment of Japanese manufacturers, in the 1997 MITI survey, which represented 43 per cent of total employment in Japanese overseas subsidiaries. This pattern of employment is further discussed using more disaggregated information from the Toyo Keizai (1994) survey which had a sample size about half that of the MITI survey (about 1.1 million employees compared to 2.3 million for MITI.

Information on employment in Japanese subsidiaries by size, region and country has recently become more accessible (Beamish et al., 1997; Toyo Keizai, 1994) and is given in tables 3 and 4. According to the Toyo Keizai sample, by far the largest number of employees are in the manufacturing sector (table 3). In this sector the average number of employees is relatively high and exceeded only by the mining industry, which has a much smaller number of subsidiaries (table 4).

Table 3. Japanese subsidiaries: Total employment by industry category

Principal industry	Number of employees						Average No. of employees
	1-10	11-100	101-1 000	1 001-10 000	Known	Unknown	
Agriculture, forestry, fishing	8 0.6%	20 0.9%	19 1.3%	1 0.5%	48 0.9%	7	174
Mining	10 0.7%	1	8 0.5%	4 2.2%	23 0.4%	10	433
Construction	46 3.3%	66 2.9%	29 2.0%	1 0.5%	142 2.6%	11	110
Manufacturing	130 9.2%	867 37.9%	1 104 74.3%	162 87.1%	2 263 42.2	69	359
Transportation	72 5.1%	121 5.3%	42 2.8%	1 0.5%	236 4.4%	65	72
Wholesale trade	647 45.9%	792 34.6%	130 8.7%	2 1.1%	1 571 29.3%	62	41
Retail trade	23 1.6%	80 3.5%	32 2.2%	4 2.2%	139 2.6%	14	164
Finance, insurance, real estate	301 21.3%	152 6.6%	26 1.7%	4 2.2%	483 9.0%	200	56
Services	173 12.3%	187 8.2%	96 6.5%	7 3.8%	463 8.6%	33	109
All subsidiaries	1 410	2 286	1 486	186	5 368	471	192

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

Table 4. Japanese subsidiaries: Number by industry category over time

Principal industry	Number of subsidiaries						
	1951-60	1961-70	1971-80	1981-85	1986-90	1991-93	Total
Agriculture, forestry, fishing	1	7	15	8	17	7	55
Mining	1	0	8	10	10	4	33
Construction	1	1	38	43	62	8	153
Manufacturing	16	190	634	277	1 024	188	2 329
Transportation	1	13	73	53	125	33	298
Wholesale trade	41	165	506	304	481	134	1 632
Retail trade	0	1	44	22	73	12	152
Finance, insurance, real estate	4	7	114	132	369	57	683
Services	1	18	97	79	217	83	495
All subsidiaries	66	403	1 529	928	2 378	526	5 830

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

The size of subsidiaries in terms of employment varies by industry — it is clear that the manufacturing sector has the largest number of subsidiaries of any industry, with 266 subsidiaries employing over 100 people, compared to 406 subsidiaries for all other industries. By contrast, manufacturing only accounted for 26 per cent of subsidiaries with employment of less than 100 persons. In Australia there is a spread of investment over all industry categories, with no single industry dominating, but the manufacturing sector, and the automotive industry in particular, is the major employer.

The average number of employees per subsidiary in each country is a function of the relative cost and productivity of labour and the average number of employees in Japanese subsidiaries varies markedly between countries. In El Salvador, for example, the average exceeds 1,000

employees, even though the country is not a major centre for Japanese investment. For Australia the average number of employees in Japanese firms in 1994 was 148, which is comparable to the United States and Canada, but quite different from developing countries such as Indonesia.

By region, the average number of employees in Japanese subsidiaries is highest in Latin America, followed by Asia and the category of Africa and the Middle East (table 5). The averages for Oceania, North America and Europe are considerably lower due to the much less labour-intensive nature of the manufacturing operations established in these industrialized regions. The distribution of the size of subsidiaries in terms of employment is also influenced by the number of representative and sales coordination offices in each region, since these tend to be much smaller than manufacturing establishments. The spread of Japanese investment in services, finance and insurance to industrialized countries in the 1980s created a large number of relatively small subsidiaries in these regions.

Table 5. Employment inf Japanese subsidiaries by region, 1994

World region	Number of employees						Average No. of employees
	1-10	11-100	101-1 000	1 001-10 000	Known	Unknown	
North America	491 32.8%	646 43.2%	330 22.1%	29 1.9%	1 496	120	137
Latin America	45 20.8	77 35.6%	80 37.0%	14 65.0%	216	82	283
Europe	319 34.4%	449 48.4%	144 15.5%	16 1.7%	928	102	108
Africa/Middle East	9 23.1%	13 33.3%	14 35.9%	3 7.7%	39	27	201
Asia	447 18.3%	1 012 41.4%	860 35.3%	119 4.9%	2 438	100	254
Oceania	99 39.3%	89 35.3%	59 23.4%	5 2.0%	252	43	143
All subsidiaries	1 410 26.3%	2 286 42.6%	1 487 27.7%	186 3.5%	5 369	474	192

Note: Average number of employees is per subsidiary.

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

According to table 6, average employment in Japanese subsidiaries in Australia is similar to the average in other developed countries, such as the United States. It is twice as large as for New Zealand because of the different scale and mix of investment by industry, together with the much lower share of Japanese manufacturing investment in the latter country. Altogether, 213 Japanese subsidiaries were reported in the Toyo Keizai survey to have invested in Australia (3.6 per cent of the global total) with employment of over 31,500 compared to employment of over 1.1 million for all Japanese subsidiaries (3.3 per cent in Australia).

For Australia, as for other industrialized countries, there is a gradual decrease in the number of subsidiaries with a larger workforce. Thirty-nine subsidiaries (21 per cent) employ more than 100 people; this is lower than the average for all countries (31.5 per cent), but comparable with the United States and the United Kingdom. In Indonesia, on the other hand, Japanese subsidiaries in labour-intensive manufacturing operations employing more than 100 people account for 67 per cent of all subsidiaries (Toyo Keizai, 1994).

Table 6. Employment in Japanese subsidiaries by selected country, 1994

Country	Number of employees						Average No. of employees
	1-10	11-100	101-1 000	1 001-10 000	Known	Unknown	
United States	458	601	312	24	1 395	102	135
Canada	33	45	18	5	101	18	157
United Kingdom	106	121	49	5	281	24	107
Hong Kong	152	160	53	5	370	28	129
Indonesia	10	45	93	19	167	8	402
Singapore	122	161	74	4	361	20	94
South Korea	8	90	80	17	195	4	652
El Salvador	0	0	1	1	2	0	1 071
Venezuela	1	2	3	1	7	0	790
Niger	0	0	0	1	1	0	1 301
New Zealand	19	9	6	0	34	3	75
Australia	70	65	39	4	178	35	148
All subsidiaries	1 410 26.3%	2 286 42.6%	1 487 27.7%	186 3.5%	5 369	474	192

Note: Average number of employees is per subsidiary.

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

2.3. Japanese FDI in Australia

The level of Japanese investment in Australia ranks third after investment from the United States and the United Kingdom. It has become particularly important since the mid-1980s, but considerable investment in areas such as mining, wholesale trade, distribution and manufacturing took place before the later boom in real estate, tourism and financial services. There are wide variations in average employment in these industries and a relatively small number of firms account for a large slice of total employment, mainly in the mining and energy, automotive and food sectors. Recent inflows of foreign investment into Australia from major source countries are given in table 7. A breakdown of Japanese investment from Ministry of Finance statistics is given in figure 5.

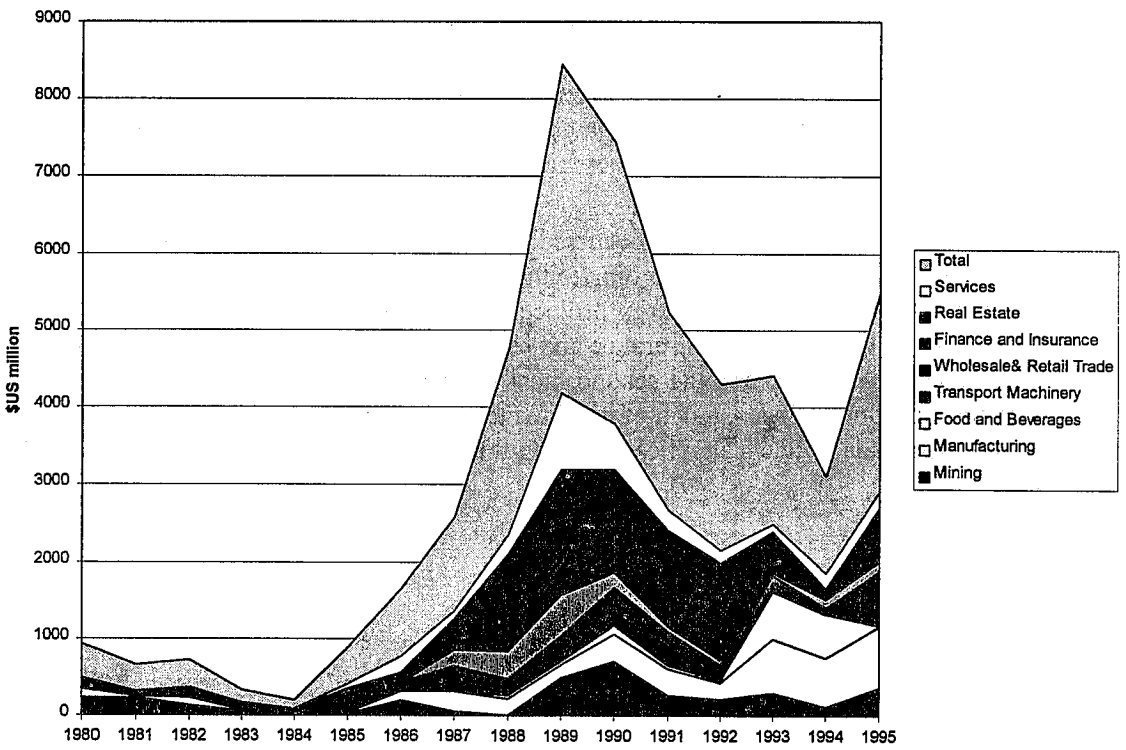
Japanese FDI in Australia has occurred across a broad range of industries and the relative importance of these has varied according to the changing nature of the Japanese economy. In the 1960s and 1970s, minerals and energy projects attracted a significant share of total inflows, but in the 1980s, services, finance, insurance and real estate became much more important (Drysdale, 1993). Indeed, Australia was the second most important destination for real estate FDI in the 1980s after the United States, much of it related to the development of the Japanese tourist market in eastern Australia, while a significant portion was directed towards the office and retail market (Farrell, 1997).

Table 7. Foreign investment in Australia, by country of investor, 1979-97 ($A m)

Year	Country of investor					
	US	UK	HK	Japan	ASEAN	Total
1979-80	839	1 816	na	360	na	5 808
1980-81	1 359	986	na	368	1 042	6 618
1981-82	647	594	na	388	856	5 447
1982-83	484	723	107	39	359	3 168
1983-84	994	818	85	139	679	4 499
1984-85	699	1 241	73	381	445	4 601
1985-86	1 672	1 804	357	1 930	243	9 818
1986-87	3 630	2 065	615	3 183	283	18 464
1987-88	1 702	4 651	847	5 374	362	24 849
1988-89	3 715	3 583	1 988	9 104	1 331	32 023
1989-90	1 790	2 585	954	8 418	399	24 105
1990-91	3 925	2 891	379	5 037	571	20 241
1991-92	1 937	1 883	555	2 604	1 468	15 819
1992-93	3 869	4 173	802	2 021	1 506	24 001
1993-94	4 393	1 604	1 110	1 546	3 859	23 467
1994-95	6 090	4 011	807	916	3 569	30 324
1995-96	23 890	13 057	1 586	2 723	3 058	57 300
1996-97	18 026	5 491	2 279	1 275	4 453	58 617

Source: Australian Treasury, Foreign Investment Review Board (FIRB) *Annual Reports*, various years.

Figure 5. Japanese investment in Australia by industry, 1980-95



Sources: Ministry of Finance (*Okura-sho*), *Annual Report of the International Finance Bureau* (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years, and author's database.

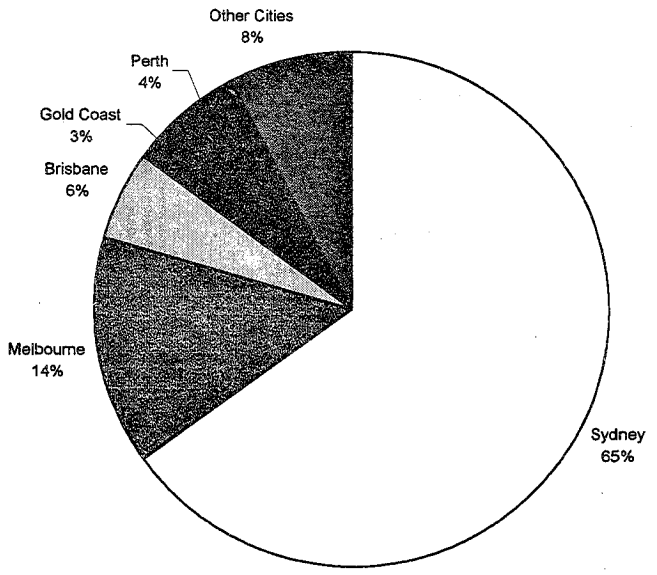
Comparatively few studies have been published on the timing, size and activities of Japanese multinationals in Australia as "Oceania" is often the smallest geographical grouping. The well-known surveys of the Japan Export-Import Bank (EXIM), the Japanese Ministry of International Trade and Industry (MITI) and the Japanese Ministry of Finance (MOF) often exclude Australia. Hence, detailed employment statistics and information on management practices for Japanese overseas subsidiaries in Australia are not readily available from these official surveys — although the Toyo Keizai data provide some information. The Australia-Japan Economic Institute (AJEI, 1996) surveys are also a useful guide to the pattern of investment and give details of the date of establishment of Japanese subsidiaries by industry and date (table 8).

Even the Ministry of Finance notification series on outflows of Japanese FDI does not identify Australia separately in terms of the industries that receive investment. Similarly, no case-study of Japanese investment in Australia appears to have been undertaken by EXIM, MITI or MOF in their various publications. There are also few surveys for Australia of firm-specific motivation and organization, compared to the extensive surveys of Japanese investment that have been conducted in the United Kingdom (Dunning, 1986) and the United States (Yoshida, 1987).

Location of headquarters

The 1996 survey of the Australia-Japan Economic Institute found that most of the 522 Japanese companies in Australia had their headquarters in Sydney (340), Melbourne (74), Brisbane (30), the Gold Coast (15), Perth (22) or other cities (41). These companies had established 501 branches between them, which are similarly distributed throughout the country as shown in figure 6 (AJEI, 1996, p. iii).

Figure 6. Location of headquarters of Japanese enterprises in Australia, 1995



Source: AJEI, *Survey of Japanese Business in Australia* (1996).

Table 8. Japanese subsidiaries in Australia by year of establishment (number of firms and percentage share in each period)

Industry	Pre-1979		1970-79		1980-84		1985-91		Total
	Number of companies	Share (%)	Number of companies	Share (%)	Number of companies	Share (%)	Number of companies	Share (%)	
Automotive	8	20.5	10	25.6	8	20.5	13	33.3	39
Banking and finance	6	8.7	10	14.5	14	20.3	39	56.5	69
Business services	1	5	5	25	4	20	10	50	20
Cement	3	75	0	0	0	0	1	25	4
Communications	0	0	1	33.3	0	0	2	66.6	3
Construction	1	8.3	2	16.7	3	25	6	50	12
Education	0	0	0	0	1	20	4	80	5
Electrical, electronic	3	7.1	19	45.2	7	16.7	13	31	42
Food and catering	5	1	6	19.2	4	15.4	11	42.3	26
Forestry	1	50	0	0	1	50	0	0	2
Insurance	3	20	4	26.7	2	13.3	6	40	15
Machinery	11	26.2	15	35.7	11	26.2	5	12	42
Other manufacturing	6	18.8	6	18.8	10	31.3	10	31.3	32
Media	1	16.7	3	50	1	16.7	1	16.7	6
Medical	2	28.6	2	28.6	0	0	3	42.9	7
Mining and energy	19	21.6	18	20.5	27	30.8	24	27.3	88
Miscellaneous	0	0	0	0	0	0	1	100	1
Pastoral	4	14.3	9	32.1	4	14.3	11	39.2	28
Real estate	0	0	4	10	1	2.5	35	81.5	40
Tourism	1	34.5	3	10.3	2	6.9	23	79.3	29
Trading companies	12	66.7	3	16.7	1	5.6	2	11.1	18
Transport and storage	6	20.7	2	6.9	6	20.7	15	51.7	29
Wholesale and retail	5	14.7	12	35.3	7	20.6	10	29.4	34
No response									19
Total	98		134		114		245		610

Note: The companies are grouped into 23 categories according to the main activity of the parent company.

Source: Australia-Japan Economic Institute, *Japanese Business in Australia*, 1996 (and also see surveys in previous years), Sydney.

Another comparatively neglected source of information on foreign investment in Australia, including Japanese investment, is the Department of Workplace Relations "Australian Workplace Industrial Relations Survey" (AWIRS) which has gathered information on Australian and foreign workplaces.[4] While the size of the Japanese sample is quite small (about 300 employees) the survey does allow a comparison of workplaces by ownership status and size of establishment (table 9).

Table 9. Workplaces by ownership status: Size of establishment

Country of head office	Size of the establishment/ distribution of employees (%)				Total (a)	Per cent of sample
	20-49	50-99	100-199	200-499	500+	
Australia	35.1	20.9	23.4	14.4	6.2	73.1
New Zealand	33.3	22.2	11.1	33.3	0	1
United States	22.5	24.5	17.6	19.6	15.7	11.8
Canada	0	0	50	0	50	0.2
United Kingdom	27.4	27.4	14.5	21	9.7	7.2
Japan	26.7	20	26.7	26.7	0	1.7
Other Europe	33.3	25.9	14.8	14.8	11.1	3.1
Other Asia	72.7	17.2	9.1	0	0	1.3
Other	40	40	0	20	0	0.6
Total	33.3	22	21.5	15.7	7.5	100

Note: (a) Share of total survey workforce population.

Source: Bora (1998).

The wave pattern of investment is illustrated by table 10, which provides details of Japanese FDI in Australia by industry from 1980 to 1995 according to Ministry of Finance (MOF) statistics. As the MOF series records only notifications and not actual investments or reinvestments in established enterprises, there is an underestimation for long-established industries — such as the automotive industry. The decision of Toyota Australia to invest $A460 million in its Altona vehicle plant in the 1990s was reflected in the MOF series for transport equipment, but is not recorded in the Australian Treasury's Foreign Investment Review Board (FIRB) series because it is a reinvestment.

The industry structure of Japanese investment in Australia is important because of the significant variation in average employment by industry compared to other countries (Toyo Keizai, 1994). The large size of investment in real estate, for example, results in a much lower contribution to employment of Japanese subsidiaries than the manufacturing sector, despite the apparently smaller value of investment in manufacturing. Direct Japanese investment in manufacturing is typically reinvestment by already established firms.

[4] The Department of Industrial Relations was renamed as the Department of Workplace Relations after the passage of the *Workplace Relations Act 1996*. It was renamed again as the Department of Workplace Relations and Small Business on 18 July 1997.

Table 10. Japanese foreign direct investment in Australia by industry, 1951-95 (US$ million, current prices)

Major industry	1951-79	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1951-95
Agriculture, forestry and fisheries	32	3	3	4	2	1	2	5	59	30	29	66	22	17	10	6	27	499
Mining	636	226	227	130	51	4	23	193	56	1	487	703	269	206	292	117	363	7 169
Manufacturing	509	122	20	96	15	28	12	123	253	210	160	361	343	224	712	628	789	6 588
Food and beverages	29	0	3	10	2	0	2	0	8	44	59	115	39	34	619	581	23	1 832
Textiles	5	0	0	0	0	0	1	0	3	2	0	1	0	0	0	4	0	30
Lumber and pulp	15	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	77	126
Chemicals	98	0	0	0	0	4	2	1	6	2	4	5	0	0	7	0	6	356
Steel and non-ferrous	175	17	1	33	7	14	1	1	0	31	33	27	48	131	42	18	262	1 229
General machinery	20	2	4	4	3	1	4	4	12	1	15	10	10	36	9	4	6	235
Electrical machinery	20	0	1	0	2	7	12	5	9	2	10	37	2	22	4	3	0	221
Transport equipment	141	78	9	12	0	1	2	103	209	123	27	160	239	2	27	18	390	2 283
Other manufactures	6	24	3	37	1	2	0	9	7	6	11	5	4	0	4	1	24	276
Construction	5	0	0	0	15	12	58	123	1	13	3	1	116	15	12	0	20	304
Wholesale and retail	184	53	38	77	88	27	244	3	109	92	296	326	204	187	173	54	314	3 721
Finance and insurance	51	11	2	20	0	9	56	2	208	363	545	200	72	63	38	120	130	3 331
Real estate	4	1	5	1	5	6	3	127	411	1 270	1 623	1 333	1 255	1 271	540	143	698	11 638
Transport and communication	na	na	na	6	1	0	0	0	5	3	1	19	3	2	8	0	5	77
Services	28	6	9	8	0	14	70	215	103	242	991	585	264	164	106	196	212	4 546
Other non-manufacturing	284	9	41	28	0	5	3	5	16	0	0	0	0	0	0	0	0	109
Total	1 734	431	348	370	166	105	468	881	1 222	2 413	4 256	3 669	2 550	2 150	1 904	1 265	2 561	39 182

Note: Figures for 1995 published in yen values (converted at ¥100=US$), while those for previous years published in US$ values.

Source: Ministry of Finance (*Okura-sho*), *Annual Report of the International Finance Bureau* (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years.

Similarly, investment in the mining sector has been quite large, but employment per subsidiary is comparatively low. A considerable part of real estate FDI was transitory in nature and incurred large losses in capital value due to the collapse of property prices in the 1990s, both in Australia and Japan. The same pattern occurred for finance FDI, with the establishment of a large number of new offices in Australia by Japanese banks and other financial institutions. The end of the "bubble economy" in Japan led to the subsequent withdrawal of a considerable number of these investors, such as the Nippon Credit subsidiary in Australia (Farrell, 1997). The implications for employment and industrial relations in Japanese subsidiaries are discussed later in the paper.

3. Changes in the investment mode and ownership structure

Foreign direct investment involves a significant level of' ownership of assets, sufficient to constitute a "lasting interest" and is generally considered to require active involvement in the control and management of the acquisition (OECD, 1983). It is difficult to define "control" precisely, but FDI implicitly refers to "the extension of corporate control across national boundaries" (Froot, 1991, p. 3). In practice, official statistics usually define investment as FDI if the level of foreign control exceeds 10 per cent of an entity's shares or assets, although this varies by country. At this level of control the foreign investor is assumed to participate actively in managing the enterprise.[1]

The motivation to invest is typically based on the characteristics or advantages of the investor. The firm's decision to exploit its advantage explains its decision to expand internationally. Hymer emphasized that *passive* (type I) investment could be distinguished from *active* flows of foreign investment (type II), by the latter's element of investor control and the two-way direction of FDI between countries. Theoretical explanations of FDI reflect the conceptual distinction between active investment, involving management influence or control, and passive investment with ownership but not control.[2] There is some evidence that recent Japanese investment in real estate in Australia was type I in character and was motivated by the anticipation of capital gains, rather than the desire to exercise management control or to transfer technology or management skills (Farrell, 1997).

As with other destinations, Japanese investors in Australia chose between full ownership in a greenfield investment or acquisition and a joint venture with local, foreign or Japanese partners. With regard to Japanese FDI in Australian manufacturing, financial services and tourism industries, it appears that firms preferred full ownership to alternative possibilities of licensing, long-term contracting or partial ownership (Nicholas et al., 1996). This finding is supported by a comprehensive survey by the Japan Chamber of Commerce and Industry which found that 66 per cent of the 482 respondents had full ownership of their investments, which covered 74 per cent of employment in Japanese companies in Australia (JCCC, 1997).

The extent of management involvement of an investor in a subsidiary's operations can be assessed by the employment of expatriates in the subsidiary's workforce and management structure (table 11). Details of expatriate employment by legal form of ownership given above suggest that wholly owned and majority-owned subsidiaries account for a high share of expatriate employment. An even stronger relationship between ownership and expatriate employees or

[1] The OECD recommended that a 10 per cent or greater level of ownership of the voting stock of an enterprise should be considered to constitute a "lasting interest" and thereby constitute foreign direct investment. This definition, however, does not include funds raised directly by the subsidiary enterprise. Source: OECD, *Detailed benchmark definition of foreign direct investment*, Paris 1983. Definitions of FDI have changed periodically in official statistics and in 1977 the IMF defined FDI as investment made to create or expand a controlling interest in a firm and following an OECD agreement, the definition of control was changed from 25 to 10 per cent over the 1980s, with member countries implementing the new benchmark at varying rates. "Direct investment refers to investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise." Source: IMF (1977), *Balance of Payments Manual*, 4th edition, Washington DC, para 408.

[2] International capital movements are generally divided into portfolio investment and foreign direct investment (FDI), the distinction being that FDI involves the exercise of control over the investment. A useful summary of these terms is provided by the Australian Treasury (1972, p. 138), which noted that: "The motivation for portfolio investment is essentially the acquisition of a property right to income and/or capital gains. This factor also plays a role in the motivation of direct investment, but the direct investor additionally intends to exercise control over the management of the enterprise in question."

imputed management control is shown in the following table, which provides details of the size of the workforce employed by Japanese firms in Australia by ownership category.

Table 11. Number of expatriates per 100 employees by ownership category

Ownership at entry	Number of expatriate employees							Average expatriate employment per subsidiary
	0	1-2	3-5	6-10	Over 10	Known	Unknown	
Wholly owned 95-100%	534 (47.6)	1 116 (53.5)	828 (60.0)	412 (63.8)	244 (65.8)	3 134 (55.9)	105	4.31
Majority owned 51-94%	115 (10.2)	331 (15.9)	250 (18.1)	131 (20.3)	17.5 (21)	15.9 (30.6)	24	4.14
Co-owned 50%	86 (7.7)	109 (5.2)	69 (5.0)	21 (3.3)	21 (5.7)	306 (5.5)	19	3.08
Minority-owned 5-49%	387 (34.5)	529 (25.4)	233 (16.9)	82 (12.7)	41 (11.1)	1 272 (22.7)	54	2.51
All subsidiaries	1 122 (100)	2 085 (100)	1 380 (100)	646 (100)	371 (100)	5 604 (100)	202	3.79

Notes: First number refers to number of expatriate employees; the second, percentage share by column.

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

Table 12. Number of subsidiaries: Expatriate employment by ownership category

Ownership at entry	Number of expatriate employees per 100 employees						Expatriate employees as % of total employment
	0	1-5	6-10	11-100	Known	Unknown	
Wholly owned 95-100%	295 (36.8)	676 (36.0)	334 (55.8)	1 554 (79.9)	2 859 (54.7)	380	23
Majority owned 51-94%	97 (12.1)	455 (24.2)	22.5 (31)	9.1 (50)	16.5 28.3)	51	10
Co-owned 50%	65 (8.1)	137 (7.3)	31 (5.2)	50 (2.6)	283 (5.4)	42	7
Minority-owned 5-49%	344 (42.9)	611 (32.5)	99 (16.5)	167 (8.6)	1 221 (23.4)	105	6
All subsidiaries	801 (100)	1 879 (100)	599 (100)	1 949 (100)	5 228 (100)	578	16

Notes: First number refers to number of expatriate employees; the second, percentage share by column.

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK

Examination of the Toyo Keizai (1994) country data on expatriate workers per 100 employees provides a more disaggregated perspective on management control by size of workplace across countries (table 13). Interestingly, Australia has a similar share of expatriate employees to total employees as the United States and the United Kingdom, but the share is much lower for countries such as Indonesia, due to the larger and cheaper local workforce.

Table 13. Expatriate employees per 100 employees by selected country, 1993

Country	Number of expatriate employees per 100 employees						Expatriate employees as % of total employment
	0	1-5	6-10	11-100	Known	Unknown	
United States	143	314	201	704	1 362	135	24
Canada	11	31	14	43	99	20	19
United Kingdom	36	68	26	146	276	29	24
Hong Kong	42	73	37	210	362	36	21
Indonesia	8	122	16	19	165	10	4
Singapore	32	105	46	175	358	23	18
South Korea	70	98	14	7	189	10	2
El Salvador	1	1	0	0	2	0	0
Venezuela	2	2	0	3	7	0	21
Niger	1	0	0	0	1	0	0
New Zealand	18	9	1	6	34	3	11
Australia	40	45	15	73	173	40	22
All subsidiaries	801	1 879	599	1 949	5 228	578	16

Note: Number refers to number of subsidiaries, by size (number of expatriates per 100 employees).

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

Table 14. Number of subsidiaries: Expatriate employment by selected country

Country or region	Number of expatriate employees							Average expatriate employment/ subsidiary
	0	1-2	3-5	6-10	Over 10	Known	Unknown	
United States	200	466	389	221	167	1 443	54	5.64
Canada	25	52	20	12	6	115	4	3.17
United Kingdom	54	107	70	42	22	295	10	3.88
Hong Kong	61	159	93	45	24	382	16	3.63
Indonesia	10	61	57	24	17	169	6	4.47
Singapore	41	157	105	46	25	374	7	3.62
South Korea	72	98	16	4	1	191	8	1.25
El Salvador	1	0	0	1		2	0	3.00
Venezuela	2	2	0	2	1	7	0	5.00
Niger	1	0	0	0	0	1	0	0.00
New Zealand	21	12	0	3	1	37	0	1.35
Australia	67	86	35	10	3	201	12	1.74
All subsidiaries	1 122	2 085	1 380	646	371	5 604	202	3.79

Note: Number refers to number of subsidiaries, by size (number of expatriates per 100 employees).

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

The reluctance of Japanese investors in Australia to seek local partners (see table 15) may occur because the scale of operations is relatively small and the product is already developed and produced in Japan. Hennart (1991) found that Japanese investors in United States manufacturing operations preferred greenfield plants to acquisitions in such cases.

Table 15. Japanese firms by legal entity (482 firms)

Industry	Employees		Companies		Average employees
	Number	%	Number	%	
100% owned subsidiary	33 572	74.4	319	66.2	105.2
Branch or liaison office	1 555	3.4	87	18	17.9
Joint ventures between Japanese companies	9 515	21.0	59	12.2	161.3
Other legal entities	477	1.2	17	3.6	28.1
Total	45 119	100.0	482	100	93.6

Source: Japan Chamber of Commerce and Industry (1997).

Joint ventures by Japanese firms in the United States seem more common for new, fast growing areas, but established firms prefer wholly owned subsidiaries (Hennart, 1991). This result implies that Japanese firms reduce transaction costs when entering the market for the first time and when they are comparatively inexperienced (Nicholas and Maitland, 1998). This finding was also reflected in the corporate structure of Japanese FDI in real estate in the United States, Australia and other countries, when local partners were engaged for their financial and management skills (Farrell, 1997).

3.1. Ownership of Japanese enterprises

In industrialized countries, the ownership ratio of Japanese subsidiaries is quite high, but it falls in developing countries where government controls often limit the extent of foreign ownership in manufacturing or other industries (Beamish, 1997). Table 16 illustrates the pattern of ownership structure by region and the general predominance of full ownership or intra-firm investment structures.

Table 16. Number of subsidiaries: Parent ownership in 1993 by world region

Region	One parent (95-100%)	Intra-firm (95-100%)	51-94%	50%	5-49%	Total known	Total unknown
North America	1 129 70.4%	93 5.8%	198 12.3%	78 4.9%	106 6.6%	1 604	12
Latin America	168 57.1%	11 3.7%	49 16.7%	12 4.1%	54 18.4%	294	4
Europe	728 71.3%	70 6.9%	116 11.4%	40 3.9%	67 6.6%	1 021	9
Africa/Middle East	23 36.5%	2 3.2%	5 7.9%	4 6.3%	29 46.0%	63	3
Asia	756 29.9%	68 2.7%	514 20.3%	175 6.9%	1 018 40.2%	2,531	7
Oceania	171 58.4%	20 6.8%	34 11.6%	16 5.5%	52 17.7%	293	2
All subsidiaries	2 975 51.2%	264 4.5%	916 15.8%	325 5.6%	1 326 22.8%	5 806	37

Notes: First number refers to number of subsidiaries; the second, percentage share by column.

Sources: Toyo Keizai (1994): *Kaigai Shinshutsu Kigyou Souran: Kuni Betsu* (Japanese investments overseas: By country), Tokyo: Toyo Keizai and P.W. Beamish et al., 1997; *Japanese Multinationals in the Global Economy*, Edward Elgar, Cheltenham, UK.

For Oceania, including Australia, the pattern of ownership of Japanese subsidiaries is similar to that of other regions, except that the degree of full ownership is lower than in other first-world regions, but above that of developing regions. Similarly, the proportion of minority joint ventures is relatively high for a developed country — reflecting the resources nature of Japanese trade and investment with Australia. In many resource developments Japanese companies accepted minority equity shares because of the scale of the investment, such as with the Northwest Shelf natural gas project (Drysdale, 1993). This pattern of ownership approximates that used in other industrialized countries such as Canada, and developing countries such as Brazil, which became key suppliers of resources to Japan from the 1970s and were known as "Australia-Brazil-Canada" (ABC) countries.

4. Changing motivation

The dominant theoretical approach to explaining FDI is to analyse the motivations of investors at the level of the firm, particularly through an assessment of the attributes and advantages of each firm. Early contributions by Caves (1982) and Dunning (1981) also highlighted the role of industry concentration and a firm's position in the home industry as key supports for the emergence of FDI. Investors are assumed to possess particular proprietary assets, which enable and justify an international expansion of the firm's activities. The industrial organization theory, which emphasizes the role of investor advantages and the active nature of the strategy of direct investment, has become the dominant explanation for FDI (Hymer,1976; Kindleberger,1969; Dunning,1981; Caves, 1982).

The industrial organization theory of investment was initially developed to explain FDI by large US firms with significant assets, often in concentrated industries such as motor vehicles or chemicals. This pattern, however, may not be typical of cases involving investors from other countries. Large numbers of Japanese small and medium firms, for example, engage in FDI despite their apparent lack of size and complex proprietary assets (EXIM, 1991, p. 3).

The predominant motivation for Japanese FDI is to gain access or maintain access to markets around the world for manufactured goods, while ensuring a stable supply of raw materials and energy to Japan. Notably, a significant share of Japanese investment is directed at the establishment of a sales and distribution network in other countries, which often specializes in the importation, sales and servicing of well-known brands, such as Toyota. This form of commercial investment, denoted as wholesale and retail FDI by the Ministry of Finance, has been a major part of total investment for the postwar period and includes the opening of sales offices for other industries, including the manufacturing sector. Japanese firms have also sought to safeguard access to resources, such as raw materials and energy, by investing in exploration and development in host countries — although the relative importance of this category of investment has gradually declined over time.

The very success of Japanese manufactured exports has led to "trade friction" in other developed countries — leading occasionally to the imposition of trade barriers or the threat of market closure to protect local industries or to ameliorate a worsening bilateral trade deficit with Japan. The issue of access has therefore been important for Japanese firms, leading to prophylactic investment in manufacturing facilities in host countries. The widening market share of Japanese vehicle imports into Australia in the 1970s, for example, led the Australian Government to invite Japanese producers to begin local assembly operations — a suggestion which Toyota, Nissan and Mitsubishi accepted during the decade (Industry Commission, 1996a).

The importance of access to markets, particularly in the industrialized countries, as a motivation for Japanese FDI is clear, especially for North America and Europe. Motivations for investment in Oceania, which is predominantly Australia, are more varied, although market access is the major factor. Other reasons for investment relate to access to other markets (25 per cent), securing a stable supply of raw materials (23 per cent) and official incentives (23 per cent); the latter including tariff assistance for the motor vehicle industry. Access to labour is a major motivation for investment in Asia (64 per cent) and Latin America (48 per cent) because of its competitive cost, but this factor is not of major importance for North America, Oceania or Europe. Japanese FDI to each region is therefore motivated either by the need to secure market access, resources or labour, while official incentives are sometimes relevant (table 17).

Table 17. Motivation for Japanese FDI in manufacturing by region, fiscal year 1989 (percentage of total replies)

Motivation	North America	Europe	Oceania	Asia	Latin America
Access to local market	80.4	79.8	63.9	61.2	62.1
Export to Japan	10.0	3.7	14.8	18.2	6.2
Access to other markets	12.5	36.8	25.3	25.3	13.0
Collection of information	26.2	19.9	13.1	6.7	5.6
"Trade friction"	16.4	16.3	1.6	1.8	0.6
Official incentives	9.4	20.2	23.0	32.8	37.9
Dividend earnings	9.2	4.3	14.8	9.8	11.9
Supply of labour	14.6	20.9	16.4	64.3	48.0
Supply of raw material	8.9	1.8	23.0	6.5	14.1

Source: MITI's 4th Basic Survey Report, 1989.

4.1. Motivations for Japanese FDI in Australia

Several types of motivation have drawn Japanese investors to Australia, including a desire to secure access to resources and energy supplies, and the wish to overcome tariff barriers, such as those on automobile imports. In September 1988, JETRO published the results of a survey of Japanese manufacturers in Australia, based on interviews with 26 firms out of 35. The principal motive for their investment was to service the Australian domestic market, with 20 firms reporting that 90 per cent of their output was sold in Australia. Of these no firm was exporting to countries other than Japan (*Keizai Doyukai*, 1989, p. 65). Many Japanese investments in manufacturing appear to have been motivated by the high tariff protection enjoyed in the past by industries such as motor vehicles and electrical appliances.

Typically, FDI to developed countries is directed towards less labour-intensive and higher skilled industries, especially in manufacturing. A high proportion of Japanese FDI in the United States and Australia is directed to the automotive industry, into wholesale and retail distribution and services, such as finance, insurance and real estate. The location of Japanese FDI in the automotive industry is predominantly in Melbourne and Adelaide. There is no evidence that foreign ownership is located in states with higher unemployment problems, or lower average wages, as appears to be the case for Japanese FDI in the United States (Lipsey, 1994b). Decisions on location could also be motivated by a less unionized workforce (Gaston, 1998). For FDI by US firms, there is evidence that investment is negatively related to high levels of unionism and the regulation of wages (Cooke, 1997).

The cost of labour in Australia has not been an important factor in motivating Japanese investment; even for China this motivation has become less important, falling from 59 per cent in 1995 to 33 per cent in 1997 (EXIM, 1997). Evidence from the limited number of surveys which have been carried out supports the proposition that labour costs in Australia were not a key reason for Japanese FDI in manufacturing (Nicholas et al., 1996, p. 15). Instead, production was motivated by tariff barriers and the opportunity of servicing the domestic market through establishing an Australian subsidiary.

There are indications that Australia is not viewed seriously as a location for Japanese manufacturing, since few new investments have occurred in this sector. Mr. Toshiki Inazumi, Senior Vice-President of NEC, has stated that Australia is failing to take advantage of a world-class skills base and needs to revitalize its manufacturing industry through economic incentives to attract foreign investment, through tax, research and development, and tariff policies (*Australian Financial Review*, 10 November 1997). NEC has world sales of US$40 billion (US$500 million in Australia in 1997). Mr. Inazumi further stated that:

> Australia is very important to investors in the Asia-Pacific region because of the high capacities and skills of its people. The fact that Australia is an English-speaking country, for instance, gives it a distinct advantage

over the rest of Asia in the development of software. A lot of teams from Japan visit Australia to source opportunities because of the high capabilities of Australian engineers. However, in the past there have not been many attractive incentives for foreign investors, but if this is changed then I would expect many Japanese companies to invest in Australia. We would like to see tax reductions, R&D concessions and the eventual reduction of tariffs.

The Keizai Doyukai (1989) sent out a questionnaire regarding Japanese investment in Australia to 256 members and received 111 responses, about half from members who had actually invested in Australia. Most of the respondents had invested prior to 1985 when the yen began to appreciate sharply. For both manufacturing and non-manufacturing investors, the main reason for investing in Australia was to gain and maintain a market share and promote sales. Other reasons were to avoid high tariffs and import restrictions, to acquire raw materials and parts, and to form joint ventures with Australian firms. Two-thirds of manufacturing investment went into joint ventures and three-quarters of non-manufacturing investment, especially banking and commerce, went into subsidiaries.

More than half of those companies investing in Australia regarded the country as their chief market — the ratio was 68.8 per cent for manufacturers and 90 per cent for non-manufacturers. The manufacturers' main reasons for investing were to secure and maintain a market share and promote sales (62.5 per cent), to avoid high tariffs (31.3 per cent), and to procure raw materials and parts (31.3 per cent), non-manufacturers had similar motivations (CEDA, 1990, p. 99). These findings are comparable to the MITI (1997) survey of motivations for Japanese FDI in other regions of the world, except Oceania (table 18).

Table 18. Reasons for increasing FDI by region (multiple answers), 1997

Reason	Total	NIEs	ASEAN	US, Canada	China	Other Asia	EU
Maintain and expand share in local market	63.5	73.5	65.7	76.8	63.5	46.5	71.8
Develop new market	40.9	27.9	37.1	22.2	54.8	62.0	33.8
Export to Japan	16.7	19.1	25.0	9.1	31.0	7.0	5.6
Export to third countries	27.9	35.3	45.0	8.1	31.0	15.5	21.1
Spreading production bases overseas (horizontal division of labour)	28.2	29.4	37.7	31.3	27.8	21.1	23.9
Securing of inexpensive labour	20.3	11.8	30.0	2.0	33.3	31.0	1.4
Supply parts to assembly manufacture	16.8	14.7	20.7	19.2	9.5	14.1	21.1
Mitigate foreign exchange risk	12.1	11.8	16.4	20.2	6.3	7.0	16.9

Source: EXIM Japan 1996: *Survey on the outlook of Japanese FDI*, Research Institute for International Investment and Development (722 respondents).

In manufacturing investment there were problems such as high turnover of employees, lower quality control, labour disputes and difficulty in retaining high-quality employees. Non-manufacturing investment areas were affected by inconsistency in policy and regulations, difficulty in maintaining qualified employees and high labour costs. With respect to investment conditions in Australia, respondent firms expressed concern that labour-management relations, the high turnover of employees, quality control, labour unions and securing qualified personnel were "worse than expected".

The Keizai Doyukai (1990) study found that Japanese firms were concerned about the number of labour unions and the time required to negotiate with all of them. The craft system and restrictive award conditions were also found to inhibit the training of multi-skilled employees, while the seniority system for engineers led to a high turnover rate for young engineers.

Similarly, Japanese firms experienced a shortage of qualified middle-level managers due to the high turnover rate, which inhibited the transfer of technology.

Similarly, Nicholas et al. (1996, p. 9) found that the presence of tariffs, import duties and non-tariff barriers was an important factor in motivating the initial decision to invest. Australian wage rates and industrial relations both ranked low in this survey, with 71 per cent of Japanese multinationals considering that these factors did not discourage FDI. Respondents pointed to frequent strikes indirectly related to Japanese FDI in Australia, such as strikes in transportation and government agencies. One company had contracts with several transporters to ensure a reliable delivery time, in anticipation of possible strikes. There were also problems with the division of labour between Japanese and Australian joint venture partners.

The Keizai Doyukai sample included respondents who had not invested in Australia. These companies indicated that they would consider investing if there was a reform of labour unions, an improvement in labour-management relations, relaxation of foreign investment regulations and promotion of tax incentives (CEDA, 1990, p. 85). Of seven case studies in the report, four pointed out issues in relation to their local partners. Joint ventures were considered of great importance because of labour management and the difficulties involved in allocating roles between Japanese and local partners. One company reported that:

> It is to the advantage of Japanese managers to be in joint ventures with local partners, so as to create and maintain stable business management based upon harmonious relationships with local society around and local conditions. Japanese managers, however, must give careful consideration to the allocation of roles for local partners who depend heavily on the management practices of their Japanese counterparts (Keizai Doyukai, 1990, p. 106).

Consequently the respondent considered that it was necessary for both Japanese and local partners to clarify in advance the terms of joint venture including role allocation and management roles, and proposed style of management, in order to avoid problems.

According to a recent survey of the motivations of Japanese direct investors in Australia, manufacturing FDI was predominantly directed towards supplying the domestic market; exporting to other countries and promoting imports from the parent company in Japan were also important. Investors in the Australian tourism industry were concerned to service Japanese travellers to Australia and to do business with client companies of the subsidiary's parent company in Japan. Investors in the financial services industry sought to establish a global network, but also to service Japanese subsidiaries established in Australia (Nicholas et al., 1996, pp. 8-14).

While many Japanese firms came to Australia to service the domestic market and other Japanese firms, a significant number have changed their orientation towards exporting to Japan or third countries. Toyota Australia, for example, stated in March 1998 that the company would earn $A700 million from car exports by the year 2000 and possibly $A1 billion by 2005 if it were given improved access to South-East Asian markets under the APEC liberalization agendas. Mitsubishi Motors Australia plans to increase exports of its Magna V6, which carries the Diamante badge, in the United States and Japan (*Australian*, 9 March 1998).

Whereas Japanese FDI to East Asia has been driven by appreciation of the yen, trade friction and low wages in East Asian countries (Ishida, 1994, p. 156) investment to North America and Australia in the manufacturing sector has been more influenced by government policy and market size. While in East Asia one of the principal motivations for FDI is to utilize low wages to maintain the international competitiveness of Japanese exporters (in 1986 average wages in NIE and ASEAN countries were 20 and 10 per cent respectively of wages in Japan; Ishida, 1994), low wages do not appear to have been a motivation for Japanese FDI into Australia.

An insight into the problems of the Australian labour market for foreign investors can be obtained by examining the reasons given for both inward FDI and outward FDI by Australian firms. According to research by the Industry Commission (1996a), government regulation of the labour market is a major concern for many foreign firms since it contributes to excessive labour

costs and additional on-costs, such as workers' insurance, compensation and so forth. An institutional framework that involves excessive regulation also tends to reduce productivity, as work practices are adopted which may not be suitable for the competitive operation of workplaces. The Industry Commission (1996b, p. 157) found that 68 per cent of Australian firms locating offshore considered that wages and on-costs were a significant factor, both in Australia and potential host countries.

Employer organizations, such as the Metal Trades Institute of Australia (MTIA) and the Australian Chamber of Manufacturers (ACM) have long complained of the increased cost of labour in Australia — due to regulations such as the award system, and have called for increased levels of bargaining, particularly at the enterprise level (Industry Commission, 1996b, p. 3). The East Asia Analytical Unit (1992) concluded that Australian direct investment abroad was strongly motivated by high relative labour costs in Australia and labour market regulation, with 70 per cent of survey respondents stating that these factors had been a motivation for overseas investment, although not the principal reason.

Foreign direct investment into Australia has typically avoided labour-intensive industries, which generally have a lower level of international competitiveness. Indeed, relative wages and labour on-costs, government regulation and concern over inefficient work practices have encouraged established firms in these areas to pursue FDI in order to establish lower cost operations in Asia. The MTIA (1995) identified labour costs as a reason for offshore investment in 28 per cent of companies and labour on-costs were a significant factor in 68 per cent of companies. The "workplace culture" in many Australian industries has discouraged inward FDI and motivated outward FDI (Industry Commission, 1996b, p. 157). This aspect of Japanese FDI in Australia will be discussed later in the paper.

5. The impact on Australia

The entry of foreign direct investment into a host country generally brings with it a number of positive direct and indirect economic effects on employment, industrial capacity and competitiveness. Since FDI typically embodies a range of productive assets apart from capital, including management skills, technology and marketing capabilities, which comprise the ownership advantage of the international investor — the new entrant is therefore able to compete with established local firms. Employment opportunities are generated by FDI and there are also indirect benefits to suppliers and to the Government in the form of increases in tax revenue.

Foreign investors with a significant international presence can also create new opportunities for exports because of their overseas networks and marketing expertise. The transfer of management skills can raise labour and capital productivity through improved ways of producing goods or services. In the postwar period the entry of Japanese investors into Australia has had a long-term positive impact on the Australian economy. In the 1960s, Japanese investment and long-term contracts were instrumental in creating the necessary conditions for the subsequent development and export of Australian mineral and energy resources over the following decades (Smith, 1980).

In the 1970s investment featured strongly in the automotive, electrical and electronics industries and in wholesale and retail trade, while pastoral industry and finance, real estate and tourism became prominent recipients of FDI in the 1980s. The current decade has seen a rise in mining investment once again and the emergence of new areas, such as processed food, as well as the continued reinvestment in manufacturing, such as the $A420 million Toyota vehicle plant at Altona in Victoria which opened in 1995.

Evidence of employment and industrial relations activities of Japanese firms is drawn from a variety of sources, which vary in the extent of their coverage and detail. The 1995 survey of the Australia-Japan Economic Institute (AJEI) for example, has separate listings for 522 firms, which employ over 100,000 people, but only summary details are available for employment by firm. On the other hand, more extensive details are available on the industrial relations practices of a small number of Japanese firms (total employment about 300) in the Australian Workplace Industrial Relations Survey of 1995. Case-studies of particular firms or industries (Matsushige, 1989) provide still greater detail, but are few in number.

A good benchmark is the 1990 study by the Confederation of Australian Industry (CAI) and the *Keizai Doyukai* on direct investment flows between Australia and Japan, which surveyed member firms on issues such as employment and industrial relations. Further, a study on the *Contribution to Employment and Exports by Japanese Companies in Australia* was carried out in 1997 by the Federation of Japan Chamber of Commerce and Industry in Australia (JCCI). In this survey in Australia, the Japan External Trade Organization (JETRO) in Sydney and the JCCI cooperated to assess the contribution to employment and exports by Japanese companies in Australia.[3]

[3] The Federation of Japan Chambers of Commerce and Industry in Australia (JCCI), JETRO Sydney and the Embassy of Japan cooperated to produce a comprehensive survey of the contribution to employment and exports by Japanese companies in Australia in May 1997. This survey, the first of its kind, was conducted to fill the perceived gap in information about the role that Japanese companies play in the Australian economy and also marked the 40th anniversary of the Japan-Australia Commerce Agreement. A total of 703 questionnaires were sent out in 1996 and 482 Japanese companies responded, together with 180 related Japanese companies who are subcontractors and major suppliers.

5.1. Direct employment

The presence of overseas subsidiaries of Japanese companies in Australia has generally had a positive impact on employment creation, increases in value added and exports across the range of industries which have received investment. According to the JCCI survey (1997) a total of 45,119 people were directly employed by the 482 Japanese companies that responded to the survey, equivalent to 0.5 per cent of the Australian workforce of 8.4 million people. The average number of workers per employer was 94 people. The ratio of non-local Japanese staff to local staff was found to be less than 3 per cent in most companies and branches. The 180 Australian subcontractors and major suppliers to Japanese companies employ a further 262,721 workers, with total employment for all Japanese companies of 307,840 people, or 3.7 per cent of the workforce.

In the manufacturing sector, 37 companies (7.7 per cent) responded, but these accounted for 34 per cent of direct employees or 15,301 people, with average employment per company of over 400. A total of 14,162 people were employed in the commercial sector, or 31 per cent of total direct employees. There were 159 companies in this sector, or one-third of survey respondents.

Table 19. Number of employees in Japanese firms by industry (482 firms)

Industry	Employees		Companies		Average employees
	Number	%	Number	%	
Agriculture and fisheries	1 304	2.9	16	3.2	81.5
Mining	3 227	7.2	48	10.0	67.2
Construction, real estate	1 275	2.8	31	6.4	41.1
Manufacturing	15 301	34.0	37	7.7	413.5
Transport and tourism	3 589	8.0	50	10.4	71.8
Commerce	14 162	31.0	159	33.0	89.1
Finance, insurance	1 327	3.0	57	12.0	23.3
Services	4 753	11.0	53	11.0	90.0
Others	181	0.1	31	6.3	5.8
Total	45 119	100.0	482	100.0	93.6

Source: Japan Chamber of Commerce and Industry (1996).

The above table provides information on employment in Japanese companies in Australia in 1996, by industry and number of workers. The largest areas of Japanese involvement in the Australian economy in terms of employment are manufacturing (34 per cent), commerce (31 per cent), services (11 per cent) and transport and tourism (8 per cent). Smaller sectors are mining (7.2 per cent), finance and insurance (3 per cent) and real estate and construction (2.8 per cent). By far the largest number of overseas subsidiaries of Japanese companies in Australia were in the commerce sector; typically they were established to promote the marketing of manufactured goods, whether imported or produced in Australia.

Table 20 provides information on the number of local and Japanese staff by industry for the 482 firms that responded to the JCCI survey. The proportion of Japanese employees fluctuates considerably by industry and is a good indicator of the extent of management involvement and potential transfer of technology and production skills. This ratio is quite low for resources, mining and energy industries in which local management has considerable experience and Australian companies are internationally competitive.

Similarly, the ratio is low for construction, real estate and services because of the proprietary advantages enjoyed by most local companies operating in the domestic market. A higher proportion of Japanese staff is noticeable in tourism and travel, because of language and marketing advantages in promoting Australia as a destination for Japanese travellers. The highest

ratio (39 per cent) occurs in the distribution network established by Japanese business — in areas such as trading companies that have direct communication with Japanese enterprises in both Australia and Japan.

Table 20. Number of local and Japanese staff by industry (482 firms)

Industry	Japanese employees (a)		Local employees (b)		Average No.(c)	
	Number	%	Number	%	J	L
Agriculture and fisheries	29	2.2	1 275	2.9	1.8	80.0
Mining	95	7.3	3 132	7.1	2.0	65.3
Construction, real estate	60	4.6	1 215	2.8	2.0	39.2
Manufacturing	142	10.9	15 166	34.6	3.8	41.0
Transport and tourism	185	14.2	3 504	8.0	3.7	70.1
Commerce	500	39.2	13 607	31.0	3.2	85.6
Finance, insurance	134	10.3	1 193	2.7	2.4	21.0
Services	76	5.8	4 677	10.7	1.4	88.2
Others	70	5.4	111	0.3	2.3	3.6
Total	1 300	100.0	43 880	100.0	2.7	91.2

Notes: (a) Percentage share of Japanese employees by industry to total Japanese employees; (b) percentage share of local employees refers to share of total local employees by industry; (c) the average number of Japanese and local employees in each Japanese subsidiary, by industry, is given in the last two columns.

Source: Japan Chamber of Commerce and Industry (1997).

The data in table 21 (below) indicate that employment of Japanese and local staff by legal entity varies significantly according to the extent of equity involvement. Hence, a very high proportion of Japanese expatriates work at wholly owned subsidiaries (80 per cent), whereas for branch offices (10 per cent), joint ventures (6 per cent) and other legal entities (3 per cent), the ratio falls significantly. Wholly owned subsidiaries are also the largest employers of local staff (74 per cent) followed by joint ventures (21 per cent) and branch offices (3 per cent).

Table 21. Number of local and Japanese staff by legal entity (482 firms)

Industry	Japanese employees (a)		Local employees (b)		Average No. (c)	
	Number	%	Number	%	J	L
100% owned subsidiary	1 045	80.4	32 555	74.2	3.3	102.0
Branch or liaison office	135	10.4	1 450	3.3	1.6	16.7
Joint ventures between Japanese companies	81	6.2	9 437	21.5	1.4	160.0
Other legal entities	39	3.0	438	1.0	2.3	25.8
Total	1 300	100.0	43 880	100.0	3.0	-

Notes: (a) Percentage share of Japanese employees by legal structure of the Japanese subsidiary; (b) percentage share of local employees by legal structure of the Japanese subsidiary; (c) the average number of Japanese and local employees in each Japanese subsidiary, by legal structure.

Source: Japan Chamber of Commerce and Industry (1997).

A source of firm-specific information on employment of Japanese subsidiaries in Australia is the survey by the Australia-Japan Economic Institute (AJEI) taken every five years (AJEI, 1996). According to the latest survey in 1995 there were 522 companies with headquarters in Australia, supplemented by 501 branch offices; employment data were provided by 485 companies, with total employment of 100,298. However, these data also include companies that are predominantly Australian-owned with a small Japanese shareholding. The survey identified 397 companies with Japanese equity of greater than 50 per cent, but employment was not specified for this subgroup.

Further information on the distribution of full-time and part-time staff in Japanese subsidiaries in Australia, according to the legal structure of the subsidiary, is provided in table 22. It can be seen that a high proportion of both groups are working in wholly owned subsidiaries, with a slightly higher proportion of part-time employees in joint ventures between Japanese companies. The survey revealed that Japanese-Australian joint ventures are not significant in terms of employment.

Table 22. Full- and part-time staff by legal entity (482 firms)

Legal structure	Full-time staff (a)		Part-time staff (b)	
	Number	%	Number	%
100% owned subsidiary	28 985	75.1	3 526	70.1
Branch or liaison office	12 395	3.6	31	0.6
Joint ventures between Japanese companies	7 824	20.3	1 435	28.5
Other legal entities	402	1.0	36	0.7
Total	38 606	100.0	5 028	100.0

Notes: (a) Percentage share of full-time employees by legal structure of the Japanese subsidiary; (b) percentage share of part-time employees by legal structure of the Japanese subsidiary.

Source: Japan Chamber of Commerce and Industry (1996).

Details of major Japanese employers in Australia by industry and firm are provided in table 23. The major employers are in the automotive industry, electronics, tourism, meat processing and retailing, with total local employment of over 26,000 and expatriate employment of 191 — a ratio of seven expatriates per 1,000 local employees or 11 per firm. Incomplete sales details are provided in the Australia-Japan Economic Institute (AJEI) survey, but the automotive industry accounts for the largest turnover.

Of the 397 companies which had Japanese equity greater than 50 per cent (i.e. with a controlling interest) 87 per cent, or 345 companies had a Japanese chief executive, while the remaining 52 companies had non-Japanese chief executives (AJEI, 1996, p. i) although some of these enterprises had a Japanese president. These survey results suggest that subsidiaries in Australia were strongly influenced by the corporate decisions of their headquarters in Japan. Nevertheless, a significant share of firms surveyed had Australian chief executives and the question arises as to whether management is being increasingly localized and whether long-established subsidiaries have fewer expatriates — as suggested by Beamish (1997).

Table 23. Major Japanese employers in Australia by industry and firm (over 500 persons)

Sector	Employment		Sales A$ million	Chief Executive (J or A)
	Japanese	Australian		
Bridgestone Australia (A)	12	2 312	413	J
Canon Australia (E)	25	1 225	na	J
Daikyo Australia (RE)	30	2 370	na	A
Daimaru Australia (WR)	10	769	na	A
Fuji Xerox Australia (E)	1	1 229	302	A
Fujitsu Australia (E)	16	1 079	na	A
R.J. Gilbertson (F)	1	1 279	325	A
MID Australia (T)	14	846	100	J
Mirage Resorts (T)	10	790	na	A
Mitsubishi Motors (A)	18	4 582	2,039	A
MQF (F)	3	897	na	A
NEC Australia (E)	na	1 000	338	J
NS Komatsu (M)	11	702	350	J
Oakbridge (MI)	1	1 799	515	A
Oakey Abattoir (P)	na	562	204	J
Toyota Australia (A)	37	3 963	1,790	J
Yazaki Australia (A)	2	612	120	A
Total	191	26 016	6,496	—

Notes: (A) automotive industry; (E) electrical and electronic; (RE) real estate; (WR) wholesale and retail; (F) food and catering; (T) tourism; (M) machinery; (P) primary; (MI) mining.

Source: AJEI (1996).

5.2. Trends in employment

According to the JCCI survey (1997) changes in employment from 1992 to 1996 were generally positive, with a net gain in total employment for all industries except finance and insurance, real estate and construction. These areas have seen a withdrawal of several Japanese financial institutions and real estate companies from Australia due to the bursting of the economic bubble in Japan in the 1990s (Farrell, 1997). These changes are also clear from the following table on changes in employment by industry from 1991 to 1996 (table 24).

Table 24. Changes in employment, 1991-96, by industry (482 firms)

Industry	Total employment				Non-local Japanese staff				Local staff			
	I	C	D	U	I	C	D	U	I	C	D	U
Agriculture and fisheries	6	3	5	1	5	4	5	0	10	1	3	0
Mining	12	19	13	3	10	20	6	3	12	19	12	3
Construction, real estate	7	10	13	0	4	9	17	1	7	10	11	0
Manufacturing	15	8	8	2	6	16	10	2	16	9	6	2
Transport and tourism	29	12	8	0	7	25	13	2	27	12	7	2
Commerce	70	25	46	2	23	67	38	2	70	26	42	2
Finance, insurance	14	19	21	0	0	24	29	0	16	20	18	0
Services	26	11	9	3	10	20	12	1	24	16	4	2
Others	9	15	4	0	6	17	5	0	8	17	2	0
Total	188	122	127	11	71	202	135	11	190	130	105	11

Notes: increase; C: constant; D: decrease; U: unknown.

Source: Japan Chamber of Commerce and Industry (1996).

Firstly, it seems that Japanese subsidiaries had few problems with labour turnover, since most firms experienced only minor changes in employment over five years. Employment in Japanese subsidiaries in Australia contracted in commerce, finance and insurance, mining, construction and real estate between 1991 and 1996. Overall, there was a greater decline in non-local Japanese staff in the above-mentioned industries, primarily due to the closure of a number of representative offices and small wholly owned subsidiaries. This trend could be attributed to the post-bubble period in which a considerable number of Japanese financial institutions, tourism firms and real estate and construction firms experienced funding difficulties and withdrew from Australia. The survey data also indicate changes in employment in Japanese companies by legal entity between 1991 and 1996, but there are no discernible differences in employment by ownership over the five years under review (table 25).

Table 25. Changes in employment, 1991-96, by legal entity (482 firms)

Industry	Total employment				Non-local Japanese staff				Local staff			
	I	C	D	U	I	C	D	U	I	C	D	U
100% owned subsidiary	132	76	93	2	52	128	106	3	135	78	77	2
Branch or liaison office	29	29	24	0	8	45	23	0	27	36	18	0
Joint ventures between Japanese companies	21	10	9	8	9	19	5	7	22	9	9	8
Other legal entities	6	7	1	1	2	10	1	1	6	7	1	1
Total	188	122	127	11	71	202	135	11	190	130	105	11

Notes: I: increase; C: constant; D: decrease; U: unknown.

Source: Japan Chamber of Commerce and Industry (1997).

In the future, Japanese business in Australia expects that the mining sector, transport and tourism, and commerce will be the areas of greatest growth, whereas no significant change in other areas is anticipated. No clear trend appears evident for anticipated employment changes by industry (table 26).

Table 26. Employment outlook by industry (482 firms)

Industry	Total employment				Non-local Japanese staff				Local staff			
	I	C	D	U	I	C	D	U	I	C	D	U
Agriculture and fisheries	5	5	5	0	0	11	1	3	5	8	2	0
Mining	16	19	1	12	10	21	3	7	11	22	1	14
Construction, real estate	7	16	1	6	1	20	2	7	7	16	1	6
Manufacturing	8	19	2	6	2	25	3	2	6	19	2	6
Transport and tourism	22	18	3	3	1	35	4	5	22	15	3	6
Commerce	55	58	8	27	5	93	14	24	63	56	6	24
Finance, insurance	12	25	4	13	3	38	2	11	13	26	4	12
Services	17	20	4	5	1	37	4	2	18	19	3	5
Others	3	22	1	4	0	25	2	3	3	22	0	4
Total	145	202	29	76	23	305	35	64	148	203	22	77

Notes: I: increase; C: constant; D: decrease; U: unknown.

Source: Japan Chamber of Commerce and Industry (1996).

5.3. Labour turnover

Labour turnover for blue-collar workers in Japan in 1900 was over 100 per cent but gradually large enterprises began to introduce the concept of "community spirit" into employment and industrial relations to stabilize the supply of labour (Tatsuhito, 1994). In the postwar period a system of lifetime employment emerged in larger Japanese firms, characterized by a seniority promotion ladder and mandatory retirement at 60 with a lump-sum payment and a company pension. Unions expanded their coverage to include both white-collar and blue-collar workers in the same enterprise in one union. In overseas subsidiaries of Japanese companies this system cannot easily be extended to local staff.

Instead, managers of Japanese companies adjusted their workforce in different ways to respond to the changing demand for labour, but most initiated redundancies during economic downturns, especially in the services sector (table 27). A high percentage of respondents attempted to reassign workers to other areas before initiating a lay-off, reflecting policies used in Japan during an economic downturn (Nicholas and Maitland, 1998).

Table 27. Lay-off and transfer policies of Japanese firms

Lay-off workers	Manufacturing (n=16)	Finance (n=22)	Tourism (n=12)	Trading (n=5)
Yes	75	73	92	80
No	25	27	8	20
Transfer workers before lay-off option	(n=18)	(n=21)	(n=12)	(R=5)
Yes	89	81	83	80
No	11	19	17	20

Source: Nicholas and Maitland (1998).

Further evidence on labour turnover can be gleaned from the JCCI (1997) survey (table 28). According to this comprehensive survey, a higher degree of stability appears evident for the non-local Japanese staff, since turnover was one-half of that of local staff, despite the fixed-term nature of expatriate staffing. This suggests that the Japanese incentives of lifetime employment and seniority salary scales were more relevant for expatriate Japanese staff than local staff.

Table 28. Employment outlook by legal entity (482 firms)

Industry	Total employment				Non-local Japanese staff				Local staff			
	I	C	D	U	I	C	D	U	I	C	D	U
100% owned subsidiary	112	135	22	42	14	212	26	36	113	124	17	43
Branch or liaison office	7	37	5	22	7	54	5	15	7	49	4	22
Joint ventures between Japanese companies	23	21	1	10	2	28	4	11	25	20	1	10
Other legal entities	3	9	1	2	0	11	0	2	3	10	0	2
Total	145	202	29	76	23	305	35	64	148	203	22	77

Notes: I: increase; C: constant; D: decrease; U: unknown.

Source: Japan Chamber of Commerce and Industry (1997).

5.4. Staffing structure of Japanese enterprises in Australia

Information on the staffing structure of Japanese companies in Australia is taken mainly from the survey by the Department of Industrial Relations (1995) and a recent unpublished paper by Bora (1998). Compared to Australian enterprises by industry, Japanese subsidiaries in Australia tend to employ a high proportion of plant and machine operators/drivers (especially in manufacturing), a higher proportion of clerks (especially in services) and a lower proportion of managers and administrators, except in the mining sector.

The results of a survey on the occupational structure of Japanese enterprises in Australia are given in table 29. From this survey it appears that Japanese staff typically handle clerical tasks in the mining and manufacturing sectors, while local staff are involved to a greater extent in the services sector (Bora, 1998). The low proportion of labourers in mining and manufacturing reflects the orientation of Japanese investment towards capital-intensive production and the ratio rises for workers in the services sector. The involvement of local staff in the management of Japanese subsidiaries in Australia is further considered in a later section.

Table 29. Staffing structure: Australian and foreign enterprises, 1995 (%)

Job classification	Industry			
	Mining	Manufacturing	Services	Total
Australian firms				
Clerks	.102	.008	.184	.152
Labourers	.144	.207	.009	.125
Para-professionals	.007	.005	.005	.005
Plant and machine operators/drivers	.303	.306	.007	.147
Managers and administrators	.007	.006	.203	.158
Japanese firms				
Clerks	.002	.004	.289	.185
Labourers	0	.003	.131	.008
Para-professionals	-	.006	.008	.006
Plant and machine operators/drivers	.667	.633	.001	.268
Managers and administrators	.007	.003	.185	.131

Note: Percentage indicates share of workforce in Australian and Japanese firms involved.

Source: AWIRS (1995) and Bora (1998).

5.5. Value added and exports

The rapid growth of Japanese FDI in recent decades has affected Japan's trade structure, especially in East Asia, through a rise in "induced exports" of capital equipment and parts to subsidiary operations in host countries (Ishida, 1994, p. 164). General surveys of Japanese investment, such as the MITI surveys of overseas affiliates of Japanese companies, do not provide significant detail on value added or exports for any country apart from the United States. The question of whether Japanese firms in other countries are export-oriented is a controversial point. A Bureau of Economic Analysis 1987 Benchmark Survey found that the average import-export ratio was higher for affiliates of Japanese companies in the United States than for affiliates of other countries (Watanabe, 1993, p. 137). Similarly, Graham and Krugman (1989) found that Japanese affiliates had a higher import propensity.

In Australia much FDI has traditionally been concerned with import-replacement in manufacturing (Brash, 1966) but reductions in border protection in the 1980s and the increasing export-orientation of the Australian economy have made FDI more outward looking. Further, a major part of Japanese investment in Australia has been in trade-competing areas, such as mining, energy and tourism; even investment in the relatively protected automotive industry has been increasingly exposed to international competition. Drysdale (1993, p. 26) notes that:

> An outstanding feature of Japanese corporate activity in Australia is its very strong export orientation. The ratio of exports to total sales has always been very high — Australia stands out among Japanese foreign investment as having among the highest average export sales ratios, including ratios of export sales to Japan, and the lowest ratios of purchases of imports from Japan to total purchases.

This conclusion is also supported by recent surveys, such as that of Bora (1998) who found that foreign subsidiaries in Australia were generally more export-oriented than Australian companies. Table 30 indicates that this orientation is even stronger for Japanese subsidiaries. Indeed the ratio of companies solely oriented towards the domestic market in Australia is lowest for Japan, with over 40 per cent oriented solely towards the domestic market. A further one-third of respondents were actively involved in exports, but 16.7 per cent were primarily involved in exports, the highest ratio for either domestic or foreign investors.

Table 30. Market orientation of Australian and foreign-owned workplaces

Country of head office	Market orientation				Total (a)
	Domestic only	Domestic, some export	Primarily export	Administrative office only	
Australia	65.3	27.2	6.7	0.8	71.0
New Zealand	57.1	42.9	0	0	1.0
United States	44.3	45.5	10.2	0	12.4
Canada	100.0	0	0	0	0.3
United Kingdom	42.1	50.9	3.5		8.0
Japan	41.7	33.3	16.7	8.3	1.7
Other Europe	33.3	54.2	8.3	4.2	3.4
Other Asia	58.3	33.3	8.3	0	1.7
Other	0	50.0	50.0	0	0.6
Total	58.9	32.7	7.3	1.1	100

Note: (a) Share of total survey workforce population.

Source: Bora (1998).

This result suggests that Japanese firms in Australia are relatively outward-looking, since a higher proportion of their employees deal primarily with export-oriented tasks. However, caution is required in interpreting the data taken from the Australian Workplace Industrial

Relations Survey (AWIRS, 1995) since the sample for Japanese workplaces covers only about 300 employees.

The comprehensive survey of the Japan Chamber of Commerce and Industry (1997) had a response of about 70 per cent and covered 482 of the 703 Japanese companies identified. The survey found that Japanese companies involved in exports could be separated into two groups — those whose export revenue was less than 25 per cent of their sales and those whose export ratio was more than 75 per cent of sales — which indicated the market orientation of these firms. According to the results, 167 of the 482 firms that responded to the survey were actively engaged in export operations, while 315 firms produced solely for the domestic market (table 30)

Of these 167 firms, a surprisingly large number were found to be small exporters, with exports totalling less than $A25 million per year, although eight firms, probably trading companies and mineral and energy exporters, were responsible for exports of over $A1 billion in value (table 31). According to the survey, about one-third of Japanese subsidiaries were actively involved in exports, although it is possible that many of these were still primarily oriented towards the domestic market in Australia. The total exports of these companies are confidential, but must have exceeded $A17 billion. The extent of value added for these exports is unknown.

Table 31. Distribution of exports by value and number of companies (1996)

Value of exports (A$)	Number of companies	%
Less than $25m	84	50.3
$25m to $50m	17	10.2
$50m to $100m	29	17.4
$100m to $1 billion	29	17.4
$1 billion to $3 billion	6	3.6
More than $3 billion	2	1.2
Total	167	100

Source: JCCI (1997).

The distribution of exports by 248 Japanese subsidiaries in Australia is given in table 32, which covers a wide range of export activities — from manufactures (23 per cent), to natural resources (21 per cent), agricultural products (16 per cent), processed raw materials (10 per cent) and processed food (15 per cent). The value of exports by industry with Japanese involvement is not available.

Table 32. Export products (multiple responses), 1995

Category of exports	Number of companies	%
Natural resources	53	21.4
Agricultural products	39	15.7
Processed raw materials	25	10.0
Processed food	38	15.3
Manufactured products	56	22.6
Others	37	14.9
Total	248	100

Source: JCCI (1997).

Over time, the export orientation of Japanese subsidiaries has changed. From an initial involvement in mineral development through small equity investments and long-term contracts (Smith, 1980), there has been a diversification into other industries, such as manufactures and

processed food. Japanese firms in the Australian automotive industry have also become more export-oriented due to falling tariff assistance and the industry plan, which provides access to duty-free imported components in return for certain export targets and therefore contains an incentive to export. Mitsubishi Australia has contended that:

> Maintaining competitiveness in export markets, intense competition between domestic vehicle producers and the demands of shareholders for an adequate return on funds are now the primary motivating factors in an industry which is well aware that it is fighting for survival, even if tariffs are maintained at 15 per cent for a period after 2000 (Mitsubishi, 1996, p. 5).

The destination of exports from Japanese subsidiaries in Australia for the 167 companies identified as exporters in the JCCI (1997) survey is shown in table 33.

Table 33. Export destinations (multiple responses), 1996

Destination	Number of responses	%
Japan	128	30.3
Other North-East Asia	48	11.3
South East-Asia	87	20.6
South-West Asia	20	4.7
North America	31	7.3
Central and South America	12	2.8
Middle East	14	3.3
Europe	30	7.1
Russia and East Europe	7	1.7
Africa	4	0.9
Oceania	39	9.2
Others	3	0.7
Total	423	100

Source: JCCI (1997).

Japan is the main export market for 30 per cent of respondents, followed by South-East Asia (20 per cent), other countries of North-East Asia (11 per cent) and a wide range of other destinations. The increasing maturity of Japanese establishments in Australia suggests that Japan is no longer the overwhelming destination for exports, as third markets are becoming more important. Tables 33, 34 and 35 provide further details on exports by Japanese subsidiaries, the distribution and industrial composition of these exports. The evidence in these tables suggests that Japanese subsidiaries in Australia are relatively specialized, with about half the respondents sourcing over 75 per cent of their exports from one industry group.

Table 34. Distribution of exports of Japanese subsidiaries by value, 1996

Value of exports ($A)	0-25%	25-50%	50-75%	75-100%	Total
Less than $25m	54	1	3	26	84
$25m to $50m	3	0	1	13	17
$50m to $100m	4	0	2	23	29
$100m to $1 billion	6	3	3	17	29
$1 billion to $3 billion	1	0	3	2	6
More than $3 billion	0	0	1	1	2
Total	68	4	13	82	167

Source: JCCI (1997).

Table 35. Distribution of exports, Japanese subsidiaries, industry and value, A$, 1996

Industry	Less than $25m	$25m to $50m	$50m to $100m	$100m to $1 billion	$1 billion to $3 billion	More than $3 billion	Total
Resources	13	4	11	8	0	0	36
Agriculture	10	4	3	1	0	0	18
Raw materials	3	3	5	0	0	0	11
Processed foods	7	0	1	1	0	0	9
Manufactured	28	2	1	4	1	1	36
Others	14	0	3	4	0	0	21
Multiple	9	4	5	11	5	5	36
Total	84	17	29	29	6	6	167

Source: JCCI (1997).

Table 36. Ratio of export specialization of Japanese subsidiaries in Australia, 1995

Industry	0-25%	25-50%	50-75%	75-100%	Total
Resources	3	0	1	32	36
Agriculture	4	1	1	12	18
Raw materials	2	0	0	9	11
Processed foods	5	1	0	3	9
Manufactured	35	0	0	1	36
Others	11	2	1	7	21
Multiple	8	0	10	18	36
Total	69	4	13	82	167

Source: JCCI (1997).

5.6. Case-study: The role of Japanese trading companies in Australia

It is worth noting that the nine Japanese trading companies, or *sogo shosha*, in Australia have been actively involved in export operations. Australia's largest-ever resource development project, the Northwest Shelf gas project, would probably not have occurred without the support of Mitsui and Mitsubishi and their strategic links and marketing networks (CEDA, 1997). The construction investment from this project, by itself, resulted in over 6,000 new jobs (Clements and Grieg, 1994).

On the *Business Review Weekly* (BRW) list of Australia's top exporters, Mitsubishi and Mitsui ranked as the leading exporters, apart from BHP and four other trading companies ranked in the top 20 exporters (CEDA, 1997, p. 31). These companies initiated trade between Australia and Japan in many areas and now account for about 65 per cent of Australia's exports to Japan and 20 per cent of Japanese exports to Australia (table 37). Japanese trading companies have made significant investments in the downstream processing of Australian mineral resources, particularly in non-ferrous metal refining and smelting of metals such as aluminium and alumina. Investments have also been made in other areas, such as processed food, forestry, real estate, retail and distribution, and information technology (CEDA, 1997).

Table 37. Japanese trading companies in Australia

Company	Established in Australia	Australian offices	Direct employees	No. of investments	Rank as Australian exporter
Mitsubishi	1926	Sydney, Perth, Melbourne, Brisbane	108	23	2
Mitsui	1909	Sydney, Perth, Melbourne, Brisbane	140	21	1
Itochu	1957	Sydney, Perth, Fremantle Melbourne, Brisbane	113	17	9
Sumitomo	1961	Sydney, Perth, Melbourne, Brisbane	85	8	11
Marubeni	1960	Sydney, Perth, Adelaide Melbourne, Brisbane	90	22	10
Nissho Iwai	1957	Sydney, Perth, Melbourne, Brisbane	82	22	16
Tomen	1957	Sydney, Perth, Melbourne, Brisbane	40	9	31
Nichimen	1957	Sydney, Perth, Melbourne	22	2	69
Kanematsu	1890	Sydney, Perth, Fremantle Melbourne, Brisbane	50	6	29

Sources: Company publications, Australia-Japan Economic Institute (1996) and CEDA (1997).

5.7. Local procurement

Little published information is available on the local procurement ratio (proportion of local procurement of materials and components to sales) for Japanese companies in Australia or Oceania. This ratio indicates whether a foreign subsidiary operates as an import-competing or exporting enterprise and essentially shows the local content of the business operations of an overseas subsidiary. Information on the local supplier networks established by Japanese companies in Australia is not easily obtained, except for the automotive industry.

Since the "local content" requirement was eliminated from the Government's industry plan in 1989, there has been pressure for local suppliers to the major producers to become more internationally competitive. In order to offset the higher costs of Australian parts and components, the four major vehicle producers have required these firms to reduce their prices (in actual dollar terms) by 2 to 3 per cent per annum since 1993 (AIA, 1993, p. 13). An indication of the cost competitiveness of component suppliers for the Toyota Camry model in the United States, Australia and Japan is given in table 38.

Table 38. Cost of Australian, US and Japanese parts for the Toyota Camry (Japan = 100)

Commodities	Australia	United States	Japan
Coil springs	116	86	100
Outer mirror	112	94	100
Seat belts	109	73	100
Lamps	105	80	100
Tyres	105	91	100
Glass	101	89	100
Average of all commodities:	106	96	100

Source: Toyota Australia (1996), *Submission to the Industry Commission Inquiry into the Australian Automotive Industry* (Submission, p. 23).

According to these data the performance of Australian component suppliers has improved but is still not internationally competitive, mainly because of the larger scale of production in the United States and Japan, even though labour productivity in Australia has improved considerably (Industry Commission, 1996b, p. 56). According to one of the major Japanese producers, it is still difficult to use local procurement in some areas of vehicle production:

> The Toyota Supplier Assessment program shows the performance of the supplier base has improved since 1990, but the industry still has some way to go to reach levels approaching world class standards ... While Toyota Australia has been seeking to increase localization of purchasing, it must import certain materials and components, in some cases, because the technology is not available in Australia and in other cases because local suppliers do not meet the quality or cost requirements (Toyota, 1996, p. 20).

Component manufacturers from Japan and other countries have established operations in Australia because of the presence of a domestic motor vehicle industry and because of access to raw materials, such as aluminium. Nissan Australia has commented that the establishment of its casting facility in Australia was based on the "availability of land at reasonable cost in areas with access to ports and shipping" (Nissan, 1996, p. 6).

Nevertheless, the increasing pressure of international competition has forced rationalization of the industry in recent years, such as the closure in 1992 of Nissan's vehicle manufacturing facility in Clayton, Victoria, and the relocation of Toyota's production facilities from Port Melbourne and Dandenong to Altona (Industry Commission, 1996a, p. 361).

6. Japanese management practices

It is widely recognized that employment practices in Japan differ considerably from those in other countries and are based on the "three pillars" of lifetime employment (*shushin koyo*), a seniority system for promotion (*nenko joretsu*) and enterprise-based unionism (*kigyobetsu kumiai*). In the postwar period these "pillars" have helped contribute to low labour turnover, harmony between employers and employees and an enterprise-based system of unionism. How applicable are they to Japanese enterprises in Australia?

Firstly, it is worth noting that these features do not apply on a universal basis in Japan and are indeed coming under threat in the 1990s with continuing economic stagnation. Further, the system of lifetime employment only covers about one-third of the workforce and is more common for larger employers (EPAC, 1993, p. 108). The relative importance of the seniority system appears to be gradually yielding to merit-based wages, with bonus payments also reflecting the contribution of employers to the enterprise (Ito, 1992, p. 233).

6.1. Transferring Japanese management practices to Australia

Whether the Japanese "way of working" can be transferred to other countries has often been discussed in the literature. Koike (1996) notes that foreign investment requires not only the establishment of overseas factories, but also the training of local workers and the effectiveness of this process is a key determinant of its actual productivity and success. According to Koike (1996) Japanese practices such as lifetime employment and seniority wages "cannot be transferred abroad because they do not exist in Japan" in the sense that these textbook concepts exist only partially. Indeed, long-term employment, multiskilling and pay increases on merit occur in many countries:

> In short, the best features of Japanese workshops today — a skill formation system that enables workers to accumulate experience in a company over time and to develop a style of working based on it — are thought to be fairly universal. These features, however, cannot be easily transplanted. A system is necessary to promote them — to make it advantageous for workers to raise their skill levels by acquiring experience in a company over the long term (Koike, 1996, p. 165).

It is worth noting that the skill formation system in Japan is based on enterprise-specific training, whereas the school system supplies general education. Within each enterprise, on-the-job training, job rotation, progress based on age and seniority wage systems are basic features of training which is strongly based on learning by doing (Curtain, 1993: Koike, 1988). According to a CEDA (1989, p. 26) report on Japanese FDI in Australia, direct investment involves the transfer of Japanese management practices to other countries:

> When a Japanese manager operates a company abroad, he tries to "Japanize" the organization — to make employees become inward-oriented. His basic strategy in trying to achieve this end is to offer employment security. He prefers to employ inexperienced workers fresh from school and invests generously in their training. Their wages and positions are advanced at a gradual pace in accordance with their length of service. The Japanese manager also provides fringe benefits over and above those required by law. These measures are intended to orient the employees more strongly toward their organization and to make the company a sort of community.

Problems in cross-cultural management may occur when Japanese and non-Japanese, or local staff, are working in the same organization. Job boundaries may be vaguely defined under a Japanese system of management, with non-Japanese workers expected to exhibit some degree of initiative and flexibility, but misunderstandings may arise.

A survey by Nicholas and Maitland (1998) found that many Australian subsidiaries of Japanese companies "attempted to replicate the management systems used by their parent companies in Japan" but often modified this environment to take account of local conditions (table 39). Over 60 per cent of survey respondents considered the work environment in their

companies to be essentially Japanese in nature, while only 15 per cent adopted a Western environment with no Japanese influence. Similar findings occurred in studies of Japanese subsidiaries in Europe and North America (Mason and Encarnation, 1995; Abo, 1988).

The prevalence of a Japanese management environment was most marked in finance companies, which tend to have comparatively small representative offices in Australia. No Japanese manufacturer has attempted to operate without Western modifications, while about 20 to 25 per cent of tourism and trading companies operate in a Japanese environment without modification (table 39). As noted by Nicholas and Maitland (1998) finance and trading firms have a high proportion of Japanese employees and generally conduct most business with other Japanese firms.

Table 39. Management style for Japanese MNEs in Australia (% of companies)

	Manufacturing	Finance	Tourism	Trading	Total
Japanese environment with nil or minor modifications	0	46	20	25	25
Japanese environment with major modification	40	27	33	50	35
Western environment with some Japanese adaptations	30	23	20	25	25
Western environment with no Japanese adaptations	30	4	27	0	15

Source: Nicholas (1998).

Subsidiaries of Japanese companies were found to use a mix of Japanese and Western management systems, though 40 per cent of respondents reported little adaptation: either a Japanese management system with minor Western modifications (25 per cent) or a Western environment with little "Japanese adaptation" (15 per cent). Predominantly Japanese-owned manufacturing businesses were more than twice as likely to have management systems based on the Japanese model (Nicholas and Maitland, 1998).

6.2. Management of local staff

As noted above, a total of 45,119 people were found to be directly employed by the 482 Japanese companies that responded to the survey of the Japan Chamber of Commerce and Industry, equivalent to 0.5 per cent of the Australian workforce of 8.4 million people. The average number of employees per respondent was 94 people. The ratio of non-local Japanese staff to local staff was found to be less than 3 per cent in most companies and branches. The 180 Australian subcontractors and major suppliers to Japanese companies employ a further 262,721 people, with total employment for all Japanese companies of 307,840 people, or 3.7 per cent of the workforce.

Japanese companies in the United States and the United Kingdom have been reducing the ratio of Japanese nationals to local staff and according them increased management responsibility (Watanabe, 1993). Evidence from MITI Basic Surveys indicates a falling trend of Japanese nationals in total managerial staff in recent years. One reason for this is the considerable shortage of trained Japanese personnel to manage overseas subsidiaries of companies around the world, including Australia.

As noted by Dunning (1986) local managers are more prominent in areas where local understanding of business, law, language and culture are required. Larger Japanese subsidiaries are also more likely to require local staff in managerial roles as small representative offices and branches often do not have an active economic role. This arrangement appears relatively common in the real estate industry, construction, financial services and a range of other businesses.

The pattern of employment of full-time and part-time local staff by industry is given in table 40, taken from a study by the JCCI (1997). Most jobs are full time (88 per cent) and the manufacturing sector is the main source of these positions. The two major Japanese companies in the automotive industry, Toyota Australia and Mitsubishi Australia, account for the direct employment of over 5,000 people as well as the indirect employment provided by hundreds of suppliers, such as Shimidzu and many local companies.

Table 40. Full-time and part-time staff (482 firms)

Industry	Full-time staff		Part-time staff	
	Number	%	Number	%
Agriculture and fisheries	1 154	3.0	122	2.4
Mining	3 094	8.0	36	0.7
Construction, real estate	835	2.2	384	7.6
Manufacturing	14 335	37.1	831	16.5
Transport and tourism	2 449	6.3	1 026	20.4
Commerce	12 140	31.4	1 337	26.6
Finance, insurance	1 150	3.0	15	0.3
Services	3 351	8.7	1 264	25.1
Others	98	0.3	13	0.3
Total	38 606	88.0	5 028	12.0

Source: Japan Chamber of Commerce and Industry (1997).

Employment in the commerce sector, covering wholesale and retail sales and distribution, is second in importance, while services and mining account for 9 and 8 per cent of the total. Employment in commerce includes the sales and distribution investments of other industries, including electric and electronic equipment firms such as Fujitsu and Matsushita, service, tourism, finance and manufacturing firms. Part-time work is more common in service industries, commerce, transport and tourism. Together, the manufacturing and commerce sectors account for nearly 70 per cent of all full-time employment in Japanese companies in Australia. Most part-time work is provided by the commerce, transport and tourism, and service sectors, with 72 per cent of the total (table 40).

According to the 1996 survey of the Japan Chamber of Commerce and Industry, the ratio of local staff management positions to total employment of Japanese firms varies considerably by industry, as shown in the following tables. In general, the level of involvement appears to reflect the "ownership" advantage of the Japanese investor, since areas of relative inexperience, such as finance and insurance, have a high ratio of local management.

To a lesser extent, commerce, real estate and construction are areas in which Japanese firms typically require assistance from joint ventures with local firms and have a higher local staff management ratio. However, in long-established areas of investment such as the automotive industry the ratio is comparatively low, reflecting an "active" transfer of management experience from expatriate Japanese managers. This finding is also supported by the AWIRS survey (1995) which indicates that the ratio of managers and administrators is relatively low for Japanese firms in the manufacturing sector, although this survey excluded a number of major manufacturers.

The ratio of management and non-management positions among local staff in Japanese subsidiaries by industry is given in table 41. The opportunities for local staff to achieve management positions are clearly greater in larger organizations, which are more prevalent in manufacturing (23 per cent of total local staff in management positions) and commerce (38 per cent). In other sectors, the size of enterprises is considerably smaller and there are fewer Japanese managers. This is particularly true of representative offices and small subsidiaries, especially outside the manufacturing and commerce sectors. The higher proportion of expatriate

Japanese managers in the tourism and transport industries and the smaller size of firms result in the high share of non-manufacturing employment in this area (table 41).

Table 41. Ratio of management and non-management positions held by local staff in Japanese subsidiaries (482 firms)

Industry	Management		Non-management	
	Number	%	Number	%
Agriculture and fisheries	96	2.5	1 170	1.8
Mining	256	6.6	2 874	4.5
Construction, real estate	148	3.8	1 065	1.7
Manufacturing	882	22.9	14 070	22.0
Transport and tourism	339	8.8	30 136	47.1
Commerce	1 463	38.0	9 435	14.8
Finance, insurance	282	7.3	883	1.4
Services	371	9.6	4 197	6.6
Others	18	0.5	91	0.1
Total	3 855	100.0	63 921	100.0

Source: Japan Chamber of Commerce and Industry (1996).

Table 42 shows the actual number of local staff involved in management positions in the 482 Japanese subsidiaries in the JCCI survey. The highest proportion of local staff in management occurs in the finance and insurance industry (24 per cent) in which Japanese firms are comparative newcomers internationally — and therefore in need of greater local knowledge and expertise. Overall, 6 per cent of local employees in Japanese subsidiaries, or 3,855 persons, were in some type of management position, while 94 per cent were not — suggesting that expatriates dominate management of Japanese subsidiaries in Australia. This supports the finding that Japanese multinationals tend to rely more heavily on expatriate management (Negandhi et al., 1985).

Table 42. Ratio of management positions among local staff (482 firms)

Industry	Management		Total employment	
	Number	%	Number	%
Agriculture and fisheries	96	7.6	1 266	2.0
Mining	256	8.2	3 130	4.9
Construction, real estate	148	12.2	1 213	1.9
Manufacturing	882	5.9	14 952	23.4
Transport and tourism	339	1.1	3 475	5.4
Commerce	1 463	13.4	10 898	17.0
Finance, insurance	282	24.2	1 165	1.8
Services	371	6.5	5 733	9.0
Others	18	16.5	109	0.2
Total	3 855	6.0	63 921	100.0

Source: Japan Chamber of Commerce and Industry (1997).

The distribution of management and non-management positions for local staff by legal entity of Japanese subsidiaries is shown in table 43. According to the survey, the highest proportion of local staff managers is found in wholly owned subsidiaries, which are the dominant form of organizational structure. There is little difference in the ratio of management and non-management positions to type of legal structure, which suggests that this factor is not an important determinant of the delegation of management functions in Japanese subsidiaries.

Table 43. Ratio of management and non-management positions among local staff by legal entity (482 firms)

Industry	Management		Non-management	
	Number	%	Number	%
100% owned subsidiary	3 025	78.5	27 479	74.4
Branch or liaison office	85	2.2	537	1.5
Joint ventures between Japanese companies	706	18.3	8 509	23.0
Other legal entities	39	1.0	396	1.1
Total	3 855	100.0	36 921	100.0

Source: Japan Chamber of Commerce and Industry (1997).

There are a number of explanations for the apparently low rate of management delegation to local staff. In a JETRO (1988) survey, firms reported difficulty in attracting suitable supervisory staff, high turnover rates at all levels and rigid wage structures, which discouraged skill formation. Labour disputes and work practices in a number of sectors were criticized by Japanese firms, particularly in the transport sector after the 1989 air traffic controllers' strike. There is also recognition by Japanese companies that the cultural environment is important in relations between management and employees.

6.3. Comparative earnings

The literature on FDI shows that average wages, or compensation per worker, tends to be higher in foreign-owned than domestically owned enterprises and the entry of foreign-owned firms can increase compensation in domestic firms (Lipsey, 1994b; Aitken et al., 1996). This result is most evident for large firms, but it is not clear that wages are higher in large foreign firms than large domestic firms (Lipsey, 1994b).

Available evidence in Australia supports the overseas finding that foreign employers tend to pay higher wages (Bora, 1998). However, this conclusion is stronger for total employment than for particular highly unionized sectors, such as mining and manufacturing (table 44). Hence it is clear that total average remuneration of staff in Japanese companies ($A785/week) is higher than in Australian companies ($A667/week), but there is no clear trend in manufacturing overall. In general, American-owned workplaces have higher average wages than either Australian-owned or other foreign-owned workplaces.

Table 44. Average earnings, Australian and foreign investors in Australia, 1995

Country of head office	Industry ($A/week)			
	Mining	Manufacturing	Services	Total
Australia	1 149	671	650	667
New Zealand	–	433	422	427
United States	1 470	774	852	839
Canada	–	525	439	514
United Kingdom	666	659	911	790
Japan	927	674	787	785
Other Europe	1 296	767	854	835
Other Asia	–	669	545	566
Other	924	686	657	695
Total	1 152	679	690	696

Note: Table shows weekly remuneration of employees in workplaces in Australia owned by Australian and other nationals, according to the industry in which the workplace is located.

Source: AWIRS (1995) and Bora (1998).

A study by Nicholas and Maitland (1998) examined the determinants of wage levels in Japanese firms in Australia. A number of factors were found to be significant, including skill, experience, local company wage rates and the award system in Australia. Age and local Japanese company wage rates were not significant for manufacturing firms with a large local workforce, but were important for relatively smaller business units operating in the finance, tourism and trading sectors (table 45).

Table 45. Factors determining wage levels in Japanese firms in Australia

Wage factors	Manufacturing	Finance	Tourism	Trading
	(n=16)	(n=22)	(n=12)	(n=5)
Skill	3.9	3.8	3.8	3.5
Experience	3.6	3.7	3.8	3.8
Australian company wage rates	3.6	3.2	3.4	3.7
Age	1.9	2.8	2.9	2.8
Award rates	3.3		3.3	
Local Japanese company rates	1.3	2.6	2.4	3.3

Note: Mean scores calculated by assigning 4.0 for high importance, 3.0 for medium importance, 2 to low importance and 1 for no importance.

Source: Nicholas and Maitland (1998).

Another tool of Japanese management in Australia is the bonus system, which rewards good performance through an annual or semi-annual bonus. According to evidence collected by Nicholas and Maitland (1998) two-thirds of the 65 firms surveyed did not use this incentive system for all staff. In the finance sector (24 firms) half of the firms did not employ a bonus system.

In the manufacturing sector (20 firms) 60 per cent did not use the system, while for tourism and trading firms, over 70 per cent of the 21 firms used the system to some extent. Trading companies, which have a higher proportion of Japanese expatriate staff used a bonus system more actively (table 46).

Table 46. Bonus payments by Japanese companies in Australia (%)

Employee group	Manufacturing (n=20)	Finance (n=24)	Tourism (n=14)	Trading (n=7)	All firms (65)
Management only	0	4.2	28.6	14.3	9.2
All staff	35	25	28.6	57.1	32.3
Paid selectively	5	20.8	14	0	12.3
Not at all	60	50	28.6	28.6	46.2
	20	24	14	7	65

Notes: Table indicates percentage of firms by industry that use a bonus system for their staff. As shown above, the proportion of expatriate staff is higher for trading companies.

Source: Nicholas and Maitland (1998).

7. Industrial relations policies

Since taking office in March 1996, the Australian Government has sought to reform the labour market to allow greater flexibility and efficiency. The Federal Government made significant changes to Australia's industrial relations legislation at the end of 1996 and amendments to the previous *Industrial Relations Act 1988* took effect from January 1997. The prevailing industrial relations environment has clearly affected Japanese companies in Australia.

The legislation was renamed as the *Workplace Relations Act 1996*, to reflect the government aim of shifting responsibility for determining the conditions of employment from the centralized Australian Industrial Relations Commission (AIRC) to parties at workplace level. In January 1997 the *Trade Practices Act* was amended to prohibit secondary and primary boycotts that prevent or hinder Australia's international trade and commerce. The Australian Government has taken the position that it does not accept "unlawful industrial action" such as sympathy strikes in other industries.

The changes are a continuation of the decentralization process started by the previous Labour Government, but they reflect the current Government's view that trade unions should not dominate negotiations between employers and employees over terms and conditions. The main objects of the Act reflect the Government's intention to enable these parties to choose the most appropriate form of agreement for the enterprise concerned, while also providing for 20 minimum standards, as set out in each award. The AIRC's basic role is to maintain the 20 award standards and it is prohibited from arbitration of disputes, except in special circumstances.

The *Workplace Relations Act 1996* provides for two types of enterprise bargaining agreement — Certified Agreements and Enterprise Flexibility Agreements (EFAs). Both are underpinned by the retention of a system of awards that specify minimum rates of pay and conditions of work for most occupations. In line with this award structure, unions are occupation- and industry-specific rather than firm-specific. The Act also provides that an award must not prescribe work practices or procedures that restrict or hinder the efficient performance of work.[1] On 23 June 1998, the Prime Minister, promised to maintain the test in the *Workplace Relations Act* that ensures that workers cannot be worse off if they sign workplace agreements.[2] Similarly, the Act maintains the commitment of the Australian Government towards the ILO Conventions that it has supported.[3]

Under the *Workplace Relations Act 1996* the principles outlined in the ILO Tripartite Declaration are safeguarded and are not subject to independent interpretation by management in Australian companies. Instead, the right to organize, the principles of equality of opportunity and

[1] Section 88A of the *Workplace Relations Act 1996* provides that: (a) wages and conditions of employment are protected by a system of enforceable awards established and maintained by the Commission; and (b) awards act as a safety net of fair minimum wages and conditions of employment; and (c) awards are simplified and suited to the efficient performance of work according to the needs of particular workplaces or enterprises; and (d) the Commission's [Industrial Relations Commission] functions and powers in relation to making and varying awards are performed and are exercised in a way that encourages the making of agreements between employers and employees at the workplace or enterprise level.

[2] *Australian Financial Review*, 27 June 1998, p. 7.

[3] Section 170BA of the *Workplace Relations Act* states that there should be equal remuneration for work of equal value, thus giving effect to: (a) the Anti-Discrimination Conventions; (b) the Equal Remuneration Recommendation, 1951, which the General Conference of the International Labour Organization adopted; and (c) the Discrimination (Employment and Occupation) Recommendation 1958. The Act refers to equal remuneration for work of equal value by either men or women. Under Section 170BC, the Industrial Relations Commission may make orders to ensure that for employees covered by the orders, there will be equal remuneration for work of equal value.

treatment and so forth are all safeguarded by a range of state and federal legislation, such as the *Equal Opportunity Act* as well as the *Workplace Relations Act 1996*. These principles may also feature in enterprise agreements between an employer and employees.[4] In like manner, the Act provides against arbitrary dismissals and protects against discrimination on the basis of trade union membership or any other personal characteristic.[5]

7.1. The role of unions

In 1990 industrial awards covered 80 per cent of employees and about 40 per cent belonged to a union. By 1995 union membership had fallen to about 33 per cent of employees. Workers in Australia, including those in multinational corporations, are not restricted in exercising the right to freedom of association. Unions are recognized for the purpose of collective bargaining, although the *Workplace Relations Act 1996* allows employees to choose to represent themselves in workplace negotiations, without union involvement. Federal and state legislation protects workers' rights and sets the framework for industrial relations in Australia.

Under section 261 of the *Workplace Relations Act* employees have the right to be members of organizations such as trade unions. Section 298 provides the right of freedom of association and ensures that employers, employees and independent contractors are free to join industrial associations of their choice or not to join industrial associations. Further, it is specified that employers, employees and independent contractors should not suffer discrimination or victimization because they are, or are not, members or officers of industrial associations.

Information on the unionization of employees in Japanese companies in Australia has recently become available through the Department of Workplace Relations surveys of Australian workplaces (Bora, 1998) and through a separate survey of Japanese companies in three industrial sectors (Nicholas and Maitland, 1998).

There appears to be a sharp difference in the level of workplace unionization by industry. Over 80 per cent of Japanese subsidiaries in the manufacturing sector were unionized, whereas in the service sector (finance and tourism), over 90 per cent of firms were not unionized (Nicholas and Maitland, 1998). The need to interact with unions appears to have encouraged some firms to create intra-firm representative bodies to discuss management issues with workers, but this trend is not evident in other sectors where there is little union activity (table 47).

[4] For example, section 13 of the certified agreement entered into by Shimadzu Australia, an automotive parts manufacturer, states that "Shimadzu is an Equal Opportunity Employer and is committed to the prevention of unlawful discrimination at work and in recruitment practices on grounds such as age, colour, marital status, physical disability, political opinion, race, sex or sexual preference. All employees are committed to assisting the company achieve these objectives".

[5] Under section 170CK of the *Workplace Relations Act* employment should not be terminated for the following reasons: (a) temporary absence from work because of illness or injury within the meaning of the regulations; (b) trade union membership or participation in trade union activities outside working hours or, with the employer's consent, during working hours; (c) non-membership of a trade union; (d) seeking office as, or acting or having acted in the capacity of, a representative of employees; (e) the filing of a complaint, or the participation in proceedings, against an employer involving alleged violation of laws or regulations or recourse to competent administrative authorities; (f) race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin; (g) refusing to negotiate in connection with, make, sign, extend, vary or terminate, an Australian Workplace Agreement; and (h) absence from work during maternity leave or other parental leave.

Table 47. Unionization in Japanese companies in Australia

Level of unionization	Manufacturing (n=17)	Finance (n=20)	Tourism (n=14)
Union, no company representative body	3 (18%)	–	–
Union with company representative body	11 (65%)	–	1 (7%)
Not unionized, with company representative body	1 (6%)	3 (15%)	2 (14%)
Not unionized, no company representative body	2 (12%)	17 (85%)	11 (79%)

Note: Company representative body refers to intra-firm non-union "channels of communications between management and workers".

Source: Nicholas and Maitland (1998).

The high level of unionization in manufacturing can be explained by the large share of automobile industry investment in total Japanese FDI in Australian manufacturing. About 90 per cent of the workforce in the motor vehicle manufacturing sector is unionized and the Australian Manufacturers Workers Union (AMWU) (Vehicle Division) formed in 1995 after the amalgamation of several unions, has the largest representation. Larger companies tend to have higher union memberships, while the rate in smaller companies varies considerably (Industry Commission, 1996a).

The results reported by Nicholas and Maitland (1998) are supported by Bora (1998), although both surveys used a relatively small sample of about 40 companies. Table 48 provides details of union density, in terms of union membership coverage, across the workforces of Australian and foreign enterprises. It is clear from the table that mining and manufacturing are highly unionized for Japanese and most Australian and foreign investors. In services, the union density in Japanese workplaces is considerably below the average for other workplaces — possibly because of management preference, but perhaps because of a simple bias towards smaller enterprises with a significant number of non-unionized expatriate staff.

Table 48. Union density of Australian and foreign investors in Australia (mean)

Country of head office	Industry			
	Mining	Manufacturing	Services	Total
Australia	.7 276	.6 337	.6 098	.6 232
New Zealand		.5 861	.5 967	.5 896
United States	.8 440	.6 411	.4 990	.5 998
Canada	–	.9 643	.3 831	.6 737
United Kingdom	.1 750	.6 082	.5 297	.5 599
Japan	.9 254	.8 237	.1 563	.5 103
Other Europe	–	.5 703	.4 545	.5 094
Other Asia	–	.9 259	.8 511	.8 636
Other	–	.3 990	.1 667	.3 215
Total	.7 390	.6 319	.5 857	.6 101

Sources: AWIRS (1995) and Bora (1998).

Impact of unionization on Japanese investment

Evidence from studies of Japanese companies in the United Kingdom suggests that a single union is preferred (Dunning, 1986, p. 11). The existence of multiple awards within companies in the automotive industry means that unions are often concerned with industry-wide or occupational issues, instead of the best means of achieving higher productivity outcomes and

consequent wage increases within a firm. Further union-management negotiations can become complex and slow when a number of unions are involved and each has a different political or negotiating aim. Mitsubishi has commented that: "An industry focus within the automotive industry is critical to our longer term success rather than the loose, and largely ineffective alliances of a number of unions that have occurred to date." (Submission, 1996, p. 16.)

To simplify the negotiation process Japanese employers tend to prefer employees to belong to only one union, limited to their company. Nissan has argued that:

> ... the [aluminium casting] plant was set up in 1982 as a single union site so that production people, maintenance, electricians, fitters, toolmakers, you name it, were all covered and still are covered by the vehicle division of the metal workers. Issues such as demarcation are not experienced in our company, to the point where staff and managers, including myself, can and do run machines without any impediment from union issues. That is not the case in the vast majority of Australian companies and so the frustrations that the majority of Australian manufacturing companies experience with labour impediments, we don't experience. (Public Hearing Transcript, 1996, p. 332.)

While the aim of the *Workplace Relations Act* is to gradually introduce a more simplified and decentralized system with direct bargaining between employees and employers, this is difficult to achieve in sectors where industry-wide unions prevail. A move to single, firm-specific unions would have various advantages, such as a reduction in demarcation disputes. Further, more flexible workplace practices would be easier to achieve with an enterprise-based union, although disputes can occur between trade and non-trade qualified personnel, particularly with regard to production-line work (Industry Commission, 1996a, p. 155). Mitsubishi has commented that: "Restrictive influences on labour productivity include demarcation between employment categories (production-trade-technical-engineering) which continues to create some inflexibilities and inefficiencies." (Submission, 1996, p. 12.)

7.2. Industrial disputes

Official statistics on the incidence of industrial disputes by industry do not distinguish between the extent of local or foreign ownership in the industry. While the likelihood of an industrial dispute is partly determined by the industry of investment, the number of working days lost has fallen during the 1990s. The highest proportion of working days lost per worker is in the coalmining industry, but industrial disputes in manufacturing are also above the average for industry overall. Within the metal production category is the automotive industry, which is a major area of Japanese investment (table 49).

Table 49. Incidence of industrial disputes in Australia, by industry

Industry	Number of working days lost ('000)		
	1995	1996	1997
Coal	111.1	160.8	95.7
Other mining	78.0	4.4	1.1
Metal production, machinery and equipment	54.8	58.6	76.9
Other manufacturing	105.0	44.8	68.7
Construction	42.7	334.8	107.8
Transport and storage	38.6	20.4	47.7
Education and health	70.9	239.8	94.0
Other industries	46.3	64.9	42.1
All industries	547.6	928.5	534.2

Source: Australian Bureau of Statistics, *Industrial Disputes*, Catalogue No. 6321.0, May 1998.

Recently, information from the Australian Workplace Industrial Relations Survey (AWIRS) 1995 has become available on the incidence of industrial disputes by ownership of foreign enterprise (Bora, 1998). While the data for Japanese investment cover only a relatively small number of companies and employment in Japanese subsidiaries, they were taken from a representative sample of industries that have attracted FDI from Japan.

According to this survey, Japanese-owned workplaces were subject to strikes at a rate almost three times that of all workplaces surveyed. However, three-quarters of the Japanese employers surveyed reported no strikes during 1994 and the high incidence of industrial disputes could be attributable to the one-off problems involved in the initial negotiation of enterprise agreements in the vehicle and parts industry (table 50).

Table 50. Incidence of strikes by country of investor, 1994

Country of head office	Strike occurred during year (%)		Share of total No. of companies (%)		Incidence of strikes during year (%)	
	Yes	No	Yes	No	Rate (a)	Share (b)
Australia	8.8	91.2	6.5	67.2	0.9	8.8
New Zealand	24.7	75.3	0.3	0.8	2.6	27.3
United States	10.0	90.0	1.1	10.1	1.1	9.8
Canada	84.2	15.8	0.1	0	9.0	–
United Kingdom	9.6	90.4	0.7	6.2	1.0	10.1
Japan	27.4	72.6	0.4	1.1	2.9	26.7
Other Europe	8.1	91.9	0.2	2.8	0.9	6.7
Other Asia	4.0	96.0	0.1	2.0	0.4	4.8
Other	–	100.0	–	0.4	–	–
Total	9.4	90.6	9.4	90.6	1.0	9.4

Notes: (a) The rate of incidence of strikes by country is calculated as the rate of strikes for each country weighted by the average rate of strikes. (b) The share index of strike incidence is calculated as the percentage of Australian or foreign-owned workplaces which experienced a strike in 1994.

Source: AWIRS (1995).

This finding for the incidence of strikes in Japanese subsidiaries in Australia appears to be less true for other types of industrial action, apart from picketing, since the incidence of stop-work meetings, overtime bans and work-to-rule disputes was lower than for strikes (table 51). Compared to Australian workplaces, the incidence of industrial action for Japanese workplaces was higher for all types of industrial disputes, apart from stop-work meetings.

Table 51. Incidence of industrial action for Japanese workplaces, 1994

Type of industrial action	Incidence for Japanese workplaces (%) (1)	Incidence for Australian workplaces (%) (2)	Intensity of incidence (%) (3) = (1) / (2)
Strikes	27.4	8.8	3.1
Stop-work meeting	14.0	18.7	0.7
Overtime ban	14.0	6.9	2.0
Go slow			–
Picketing	14.0	3.2	4.4
Work to rule	9.1	3.9	2.3
Other bans		7.9	–
No industrial action	72.6	72.0	1.0

Notes: The rate of incidence of strikes by country is calculated as the rate of strikes for each country weighted by the average rate of strikes. (b) The share index of strike incidence is calculated as the percentage of Australian or foreign-owned workplaces which experienced a strike in 1994.

Source: AWIRS (1995).

It should be noted that the AWIRS survey does not provide an additional breakdown of disputes by ownership and industry. It is therefore unclear if the incidence of industrial disputes for Japanese companies by industry, for example in the automotive industry, is actually higher than for Australian companies. The high proportion of Japanese investment in the latter sector could be an alternative explanation.

Recently, rises in labour productivity in the automotive industry have been accompanied by a fall in the level of industrial disputes — from 1989 to 1994 the number of disputes fell from 20 to two, although in subsequent years the number rose again. The main Japanese companies in the automotive industry, Toyota and Mitsubishi, have made efforts to reduce the role of industrial disputes in disrupting production at their Australian factories. Toyota's *Code of Conduct* for employees, for example, states that: "It is agreed by the parties that the most appropriate manner of resolving work-related problems is through joint cooperation and the establishment and observance of a clear and practical code of conduct."

7.3. Enterprise agreements in Japanese companies

As previously mentioned, the long-term guarantee of jobs, or lifetime employment, has been described as one of the three "pillars" of the Japanese employment system — the others being the enterprise union and the role of a seniority wage structure based on experience. Even in Japan, however, the lifetime employment system has only applied to about one-third of employees, particularly male workers in larger companies, and has begun to break down somewhat in the 1990s, with the continued economic recession and a rise in corporate failures. Further, competition between firms is likely to intensify in future as the Japanese economy opens up to increased import competition and foreign investment.

The concept of lifetime employment is difficult to transfer to the overseas subsidiaries of Japanese companies, apart from the small proportion of expatriate staff (Tatsuhito, 1994). Japanese expatriates are hired as lifetime employees, but not local employees, of Japanese subsidiaries. A high degree of job security is apparently provided for local employees (Nicholas and Maitland, 1998). Similar systems apply to Japanese subsidiaries in other countries, such as the United Kingdom and the United States. Job security for local staff in overseas subsidiaries often follows the precedent established in the host country, since loyalty to the company becomes less important without employment security (Watanabe, 1993, p. 152). The transfer of employment practices, such as a seniority wage structure, is also difficult if the host country has conflicting regulations on wage determination (Koike, 1977, p. 161).

The increasing prevalence of enterprise bargaining agreements in Australia has given Japanese (and local) companies more flexibility in seeking to increase incentives for worker efficiency and loyalty.[6] Bridgestone Australia, for example, signed a new enterprise agreement for its tyre division in September 1997 that will continue for three years. The agreement is intended to play a significant part in production and productivity improvements (Bridgestone, 1997).

Management in Japanese overseas subsidiaries actively seeks to reduce job turnover and to increase loyalty to the company through other measures apart from the lifetime employment system — such as bonuses based on company performance and wage increments according to

[6] Bridgestone Australia has made a commitment to embrace and actively promote the concepts and principles of equal employment opportunity and affirmative action and a steering committee of employees from many areas has been formed to further the aims of these agreements. The company has taken the approach that: "By ensuring fairness for all employees, the company can make substantial gains in productivity and help to reduce absenteeism, leading to the development of a cohesive work environment that recognizes the diversity of our workforce." (Bridgestone, 1977, p. 10.)

experience, which encourage internal training. Typically Japanese companies in Australia are involved in competency-based training programmes and self-managing work teams, with an emphasis on giving the workforce improved skills and job flexibility — both of which are likely to lead to an improvement in operations.

7.4. Perceptions of Japanese employment practices

A recent survey of the employment and labour practices of Japanese firms in Australia by the Australian Council of Trade Unions (ACTU) sheds new light on union perceptions of the operations of Japanese subsidiaries in Australia. According to the survey of firms in the vehicle manufacturing and retail sectors, Japanese firms generally achieved above average scores for a range of performance indicators (table 52).

Table 52. Employment and labour practices of Japanese MNEs in Australia

Indicator	Industry sector	
	Vehicle manufacturing	Retail sector
Support collective representation	10	5
Pay and conditions are at or above industry standards	10	5
Consult the union in a serious manner	10	5
Encourage union membership	10	7
Treat employees with respect	7	7
Provide training and a career path for employees	10	7
Have good standards of occupational health and safety	10	7
Have commitment to job security	10	7
Committed to equal opportunity re areas such as equal pay, child care, family leave	10	5
Good performance, re sexual harassment policy	7	5

Notes: 1 is very unsatisfactory; 5 is satisfactory; 10 excellent. The ACTU survey does not indicate the coverage of firms surveyed in these industries.

Source: Survey of industry sector unions conducted by the Australian Council of Trade Unions, June 1998.

In the more unionized vehicle-building sector, Japanese firms were found to be high achievers in terms of supporting employment and labour practices, such as providing training and a career path for employees, job security, occupational health and safety and commitment to equal opportunity. Lower results were recorded in the less unionized retail sector, but employment and labour practices were still found to be satisfactory.

7.5. Case-study: Japanese employment practices in the automotive industry

The automotive industry is one of the major locations of Japanese investment and employment in Australia. According to the 1995 survey of the Australia-Japan Economic Institute (AJEI), Japanese companies in the industry employed just over 15,000 people, of whom 143 were Japanese nationals and 14,985 were local employees (AJEI, 1996, p. v). Employment practices in the industry have clearly been affected by Japanese production techniques such as "just-in-time" and labour management approaches which have contributed to the significant increase in productivity in recent years (Industry Commission, 1996a, p. 56). Similarly, "lean production" originated in the Japanese automotive industry and is a system that encourages a constant improvement in firm performance (Kriegler and Wooden, 1985).

Internationally, the vehicle industry has been found to rely heavily on internal promotion (Koike, 1977; Newell, 1984). In Australia a number of studies have found that internal promotion

ladders and on-the-job training are important for skill development (Chapman, 1983). Matsushige (1991) examined internal promotion, job structures and the role of skill in Australian vehicle-building companies and found that these constituted an internal labour market within each firm.

Hence, the majority of workers in higher level jobs have been promoted internally to build up firm-specific human capital. Within each internal market, factors such as unions, the legal framework, customs and the level skills determine differences. Nevertheless, while there were strong links between lower and higher jobs and qualifications, skills acquired through apprenticeship and general work experience could easily be transferred to other companies and were not firm-specific (Matsushige, 1991; Longbottom, 1985).

The management practices of Japanese companies in Australia have been influenced by the industrial relations environment (Orpen and Viljoen, 1985). A representative of Toyota Australia commented: "I don't think that there's any ... specific systematic change or award change that's going to necessarily solve that problem overnight. It's a cultural change which management have got to engender, not just changing a few words on a piece of paper." (Public Transcript, p. 264.) Similarly, Mitsubishi Australia has commented that:

> Restrictive influences on labour productivity include demarcation between employment categories (production-trade-technical-engineering) which continues to create some inflexibilities and inefficiencies; Mitsubishi is seeking solutions to this issue jointly with the unions. (Submission 34, p. 12.)

According to Toyota Australia, training and communication between management and staff "have been vital factors in achieving both skills enhancement and attitudinal change and over $A8 million a year is invested in training programmes ... Training is an integral element of Toyota's philosophy of developing a skilled, flexible and motivated workforce able to engage in problem solving and continuous improvement" (Toyota, 1996, pp. 5-12). Table 53 illustrates the increasing focus on human resources management (HRM) policy by Toyota in Australia.

Table 53. Toyota human resources management policy

HRM policy	1990	1996
Recruitment	Unselective	Highly selective
Training	Limited	High (6% wages), VIC
Multiskilling	Low	High
Career progressions	Limited	Well structured
Safety	Average	Good
Work teams	Low	High
Information/communication	Low	High
Employee involvement	Low	High

Source: Toyota Australia (1996, p. 12).

Mitsubishi Australia also invests considerable resources in training its workforce in-house, with a focus on specific shop-floor requirements and problems, to the point where: "Entry by employees to various pay points in the award is conditional on being able to demonstrate in a work situation that the requisite skills and knowledge levels have been achieved" (Mitsubishi Australia, 1996, p. 11).

A considerable part of increasing labour productivity in the automotive industry and in Japanese vehicle and component producers has come from changing workplace practices (Industry Commission, 1996a, p. 90). From the period 1990-95 labour turnover in Toyota Australia fell to 13 per cent, the cost of claims fell from $A12 million to $A4 million and safety in the workplace improved (Toyota, 1996, p. 16). Similarly Denso (formerly Nippondenso), an automotive component company making engine-cooling and airconditioning units for cars, improved sales/worker from $A75,000 to $A225,000 over the same period and achieved ISO 9001 and QS 9000 certification by March 1997. The total number of lost-time workplace

injuries for Denso fell from 61 in 1989 (2 700 days lost) to two in 1995 (three days lost) (Industry Commission, p. 91).

Although the introduction of enterprise bargaining in Australia has allowed greater scope for labour flexibility and higher productivity in the automotive industry, there are still problems such as the complexity of the award system, the maintenance of award conditions, pattern bargaining within the automotive industry and restrictive work practices. The Industry Commission (1996, p. 148) found that:

> The awards that cover workers in the automotive industry and underpin enterprise agreements are extensive in their coverage, rigid and complex. The current Vehicle Industry Award covering much of the industry consists of over 160 pages with over 50 clauses. The award is very prescriptive, covering issues such as hours of work, pay conditions, overtime shift rates, leave conditions, safety checks to tools and work area, special conditions for watchmen and gatekeepers, tea breaks and training requirements. As many enterprise flexibility agreements have shown, there is scope for awards to be significantly less prescriptive and to be written in terms that are easier for those affected by them to understand.

Japanese companies have sought the cooperation of unions in creating a more efficient enterprise and are not opposed to unionism per se in their workforce. Japanese motor vehicle producers in Australia criticize the inflexibility of the industrial relations system in a number of areas. It is generally perceived that the centralized wage-fixing system and current structure of the union movement inhibits the ability of employees and managers to work together for the overall benefit of the enterprise — so that these arrangements are in need of overall change. Toyota has stated that:

> With regard to the [then] proposed *Workplace Relations Act*, Toyota Australia supports the broad thrust of a more deregulated approach and greater enterprise initiative and involvement in determining outcomes. Our experience of the past six years, however, indicates that development of best practice labour relations is a step-by-step process. The legislated change should establish a better framework to manage the development, but much remains to be done. (Submission to Industry Commission, sub 15, p. 30.)

Both Toyota and Mitsubishi have negotiated their own enterprise agreements which are underpinned by individual awards. These agreements have allowed an increase in the flexibility of workplace arrangements and given management access to more flexible terms and conditions (Industry Commission, Automotive Industry Report, p. 147). The basic conditions guaranteed by awards can also be restated in enterprise agreements.[7]

Similar wage increases have occurred in the automotive industry over the last few years due to the similarity of the enterprise agreements negotiated by all four major manufacturers (Ford, Holden, Toyota and Mitsubishi). In 1994 for example, there was a 10 per cent wage increase over three years, with changes to long-service leave criteria and accident insurance. Subsequently firm-specific enterprise agreements have included different productivity agreements and changes to workplace operations. Nevertheless the similarity in agreements could also reflect the bargaining power of the AMWU and the small number of companies in the industry. Hence Bamber and Lansbury (1996, p. 11) state:

> Each of the companies' experiences were reasonably parallel in Australia, not only because they were induced to follow an explicit 'pattern' by the AMWU, but also because the senior [human resource and industrial relations] managers met regularly and otherwise kept in close touch with each other. Such coordination between firms was understandable, for they were all operating in the same (fairly small) product

[7] Shimadzu Manufacturing's Certified Agreement, section 18, sets out the leave entitlements of full-time employees of four weeks paid annual leave per annum, accruing on a pro-rata basis and to be taken at a mutually agreed time. Leave must be taken within 12 months of it falling due. Employees are required to apply for leave not less than one month before the requested leave commencement date. All employees are entitled to paid sick leave or carer leave not exceeding 10 days (76 hours) per year. Sick leave and carer leave entitlements are cumulative. Payment for sick leave requires a medical certificate. Thirteen weeks long-service leave are available after ten years of service. These provisions are essentially the same as many local companies and reflect award provisions.

market and were subject to the same national industrial relations regulation by government policies and national wage case decisions.

This type of "pattern" bargaining is also prevalent in segments of the US automotive manufacturing industry, where wage increases achieved in one workplace are then passed on to other parts of the industry — resulting in very similar wage increases in the major US manufacturers (Industry Commission, p. 147). Hence the automotive sector in both countries is still a bastion of strength for industry-wide unions. This gives rise to particular difficulties in establishing firm-specific enterprise agreements on wage increase trade-offs for labour flexibility and greater productivity. Of course the labour productivity performance in trade-exposed industries is also affected by many other factors, such as government policy and waterfront inefficiencies.[8]

Labour relations at Toyota Australia

Four automotive manufacturers in Australia have negotiated enterprise agreements, but they are all very similar and wage increases have been identical in recent years. These agreements are supported by individual awards that provide minimum wages and conditions for occupational groups in the workforce of the industry. While improvements have been made in recent years, the organization of work in the automotive industry is still not as flexible as it could be. Mitsubishi Motors Australia has commented that the current system has a number of constraints:

> Progress in team-based production — a key Mitsubishi objective for the remainder of the decade — has been limited to some extent by the current enterprise bargaining process as a result of both the interaction between different unions and the restrictive effect of pattern bargaining on the development of team-based production groups ... In addition, pattern bargaining and reliance on strict relativity relationships between companies is a restraint on the localized development of innovative and progressive work practices, especially when compared to overseas company-based union structures which tend to encourage the pursuit of common objectives. (Industry Commission, 1997, p. 144.)

In the early 1990s, Toyota Australia was experiencing difficulty with the industrial relations environment it faced — mainly due to excessive regulation under the centralized wage-fixing system, which defined craft or trade occupations in a narrow way and prevented an increase in labour flexibility. Similarly, the existence of a number of industry-wide unions made it difficult for the company to negotiate on enterprise-specific issues, such as the opportunity for higher wages in return for increased productivity under enterprise agreements (Industry Commission, 1997, Vol. 2, pH7). In 1991 Toyota began negotiations with the Australian Council of Trade Unions (ACTU) and the Vehicle Builders Union (VBEF) — now the Vehicle Division of the AMWU — to reach agreement on union coverage for the company's new manufacturing plant at Altona in Victoria.

In these negotiations, Toyota Australia's key objectives were to achieve: (a) a fixed-term agreement with binding dispute resolution procedures; (b) increased employee skilling and flexibility; (c) single employee representation in an enterprise-specific union; and (d) a wage outcome linked to Toyota Australia's performance ("Sharing in Success"). There was agreement

[8] The need for the automotive industry to maintain its international competitiveness has led to calls for increased micro-economic reform and deregulation. Toyota has stated that: "To be able to improve their competitiveness the car manufacturers need to gain relief from costs imposed on them by other sectors of the economy and governments themselves through their regulatory and tax policies." (Submission, pp. 15-16.) With regard to access to port services on the waterfront, Toyota has stated that: "Improving the reliability of the waterfront is important for Toyota Australia's future international competitiveness. A particular area of concern is limited access to vessels when they are in port. Access to Melbourne Port is limited to 15 hours a day. By comparison, overseas ports load/unload containers 24 hours a day." (Submission, p. 36.)

by management and unions on the need for change in workplace relations, but this has not led to complete success from the perspective of the former group.

At the same time, Toyota aimed to consolidate vehicle manufacturing at a new $A420 million plant at Altona — to which production facilities at Port Melbourne and Dandenong were transferred. According to the company: "We worked very closely with our supplier network. We worked very closely with our local community, and we also had federal government assistance with manpower to try and seek opportunities for those people who could not take the opportunity to move to Altona."

Nevertheless, only 20 per cent of the employees at Dandenong chose to move to Altona, despite financial incentives from the company (Toyota, 1996, p. 230). In 1995 Toyota officially opened in Altona but experienced an increase in labour disputes at the plant as it sought to establish a one-union enterprise agreement. However, evidence since then suggests that considerable progress has been made on improving cooperation between labour and management at the Toyota plant and productivity increases have continued to be made, in part because of the increased flexibility allowed by the enterprise union and other changes (Toyota, 1997).

8. Conclusions

This paper explores the employment impact, management and industrial relations practices of Japanese multinationals in Australia in the 1990s — an important area for research because of the significance of Japanese investment in the economy. It also examines how Japanese enterprises have operated in this different cultural and economic environment, an interesting question as Japanese management, industrial relations and production techniques are typically associated with increased productivity and international competitiveness. As there are comparatively few studies on Japanese enterprises in Australia, the paper draws on the findings of available studies and provides hitherto unpublished information on the characteristics of almost 500 Japanese subsidiaries across a range of industries, together with a number of selected case-studies.

Australia is an unusual destination for Japanese FDI because it has attracted the whole gamut of investment opportunities — from agricultural, forestry and fisheries investment, to minerals and energy resource development, to vehicle manufacturing, financial services, real estate and tourism. The motivation for Japanese investment has varied significantly by industry, size of firm and export orientation as successive waves of investment occurred in the postwar period (Drysdale, 1993).

While the need to secure supplies of raw materials and energy was a key motivation for Japanese FDI in resource development in Australia, the relatively small domestic market discouraged manufacturing FDI unless import barriers provided an incentive to establish local operations. A considerable part of total FDI has been associated with establishing wholesale and retail networks to facilitate bilateral trade and provide a distribution network for locally established Japanese firms. Much of the boom in property investment in the 1980s was ephemeral in nature and plummeted after the collapse of the bubble economy. Of these industries, manufacturing and commerce are the major generators of employment in the Australian economy and also the focus of interest in management practices and industrial relations.

The mode of investment

Japanese investors clearly prefer full ownership to alternatives such as licensing or partial ownership, and this is also the case in Australia (Nicholas, 1996; JCCI, 1997). The proportion of full ownership of Japanese subsidiaries internationally is 56 per cent (Toyo Keizai, 1994) and 66 per cent for Australia (JCCI, 1997, table 16) which is comparatively high for direct investment. This ratio rises for majority ownership to 86.5 per cent for all international operations (Toyo Keizai, 1994) and 77 per cent for Australia (JCCI, 1997). Clearly, Japanese investors prefer not to be passive managers, especially in sectors such as manufacturing.

A noticeable difference in the legal status of Australian subsidiaries of Japanese firms is the greater share of joint ventures than usual (table 15) — reflecting the involvement of many firms in large resource projects where ownership must be shared because of their scale and cost. A similar pattern of ownership is also evident in Brazil and Canada where the size of projects discourages majority ownership (Beamish, 1997) and long-term contracts could have a similar influence on the production and trade outcome.

Japanese management in Australia

Foreign investment requires not only the establishment of overseas factories and offices, but also the training of local workers; the effectiveness of this process is a key determinant of the productivity of overseas subsidiaries (Koike, 1996). However, little research has been conducted on the flexibility and productivity of Japanese workplaces in Australia compared to other workplaces, so that a direct assessment of the comparative performance of Japanese management in Australia is not possible.

The role of Japanese management in Australian subsidiaries appears similar to practice elsewhere in the world — in the United States, Japanese managers accounted for 82 per cent of chief executive officers (CEOs) and 63 per cent in Asia (Watanabe, 1993). In Australia, a survey of 397 firms found that 87 per cent had Japanese CEOs, while 52 other subsidiaries had local managers (JCCI, 1997). The greater number of small subsidiaries in Australia (table 20) may explain the higher ratio of expatriate to local managers. Further, the ratio of expatriate employees involved in management is low for firms involved in resources, mining and energy — areas in which Australian industry and management are internationally competitive. In tourism and travel, where expatriates have niche knowledge of the market and many customers are Japanese nationals, the ratio of local management is much lower.

The ratio of management positions among local staff by industry indicates that only 6 per cent of local staff in Australia are involved in management positions (table 42). This ratio is 5.9 per cent for manufacturing, 13.4 for commerce and over 24 per cent for finance and insurance — due to the increasing need for local expertise in these industries. Similarly, Japanese subsidiaries appear to employ fewer local managers and administrators than other foreign-owned workplaces (Bora, 1998). These findings support the conclusion that Japanese multinationals rely more heavily on expatriate management (Negandhi et al., 1985).

Industrial relations perceptions and practices

As noted earlier, Japanese investors are generally concerned with the poor reputation of Australian unions, particularly the number of unions and time needed to negotiate, the restrictive award system and the traditional craft-based coverage of many unions (Keizai Doyukai, 1990). Other surveys have also found that labour market problems discourage inward FDI and motivate outward FDI (Industry Commission, 1996b). Recent attempts to increase the extent of enterprise bargaining and introduce intra-firm workplace agreements appear to have been welcomed by Japanese management in Australia and may overcome some of these actual or perceived problems (Toyota, 1996). Nevertheless, in some areas, such as the automotive industry, high union density has made labour productivity improvements more difficult to implement and it is not clear that the number of industrial disputes is lower because of a different management paradigm by Japanese firms.

Labour turnover appears lower in Japanese subsidiaries in Australia than in Australian workplaces generally (Bora, 1998) and while a small sample was used, this finding is consistent with international studies. Greater job security encourages longer term training and skilling, which is traditionally enterprise-intensive training in the Japanese management system (Curtain, 1993). Since the seniority system in Japanese employment restricts short-term rewards for ability, it seems that turnover may be higher for skilled employees such as engineers (CEDA, 1989).

The contribution of Japanese FDI

Since the beginning of the century, the operation of Japanese trading companies has been a key factor in the expansion of bilateral trade. A significant part of Japanese investment has been in trade-exposed areas, such as mining, energy and tourism and the ratio of exports to total sales is relatively high (Drysdale, 1993). The development of Australia's resources was accelerated by the demands of fast-growing Japanese industry in the 1960s and 1970s, thus allowing a more rapid expansion of the Australian economy.

According to the JCCI (1997) survey, two-thirds of Japanese subsidiaries are primarily oriented towards the domestic market. A separate survey found that the operations of 90 per cent of non-manufacturing firms are based on the local market, while for manufacturers this ratio drops to 69 per cent (CEDA, 1990). Japanese subsidiaries were found to be more export-oriented than Australian firms by Bora (1998) (table 30), while a comprehensive survey of 482 Japanese subsidiaries in Australia found 167 firms to be actively engaged in export operations; the

remainder were predominantly oriented to the domestic market (JCCI, 1997). It is clear that Japan is the major market for Japanese subsidiaries but exports to other countries are becoming more important (table 33).

Concluding comments

Japanese investment in Australia is notable for its range, duration and seminal role in stimulating the growth of the Australian economy and bilateral trade. Indeed, given the scale of the trading relationship which developed after the formalization of economic and diplomatic ties in 1957 through the Australia-Japan Agreement on Commerce (DFAT, 1997), it is possible that investment flows could have been even larger. Some Japanese firms have been reluctant to invest in the Australian manufacturing sector because of concern over industrial relations practices and the relatively small domestic market (Keizai Doyukai, 1990). The recent maritime dispute in Australia was a reminder of the higher level of industrial disputes in past decades, together with uncertainties over the reliability of delivery, which appear to have deterred potential investment.

Apart from the positive benefits of Japanese capital flows into Australia, there are also benefits through the transfer of management skills and technology. While it is difficult to be precise over the impact of such transfers — which also reflect the innate advantages of the investor (Dunning, 1993) — it would seem that the greatest benefit occurs in sectors with a higher ratio of expatriate management, such as tourism and transport. Notably, Japanese managers played a key role during the 1980s in creating an infrastructure of hotels and resorts which has expanded the international position of the Australian tourism industry. In the minerals and energy sector, it would seem that Japanese business skills and the ability to facilitate market access into Japan was a vital part of investment in this area.

Manufacturing is traditionally seen as a sector in which Japanese management and technology can provide a key advantage. While it is difficult to assess the relative productivity and efficiency levels of Japanese and other foreign-owned or Australian workplaces, overall performance is not dissimilar in the automobile industry (Industry Commission, 1996a) possibly because of the barrier which high unionization places on improvements in enterprise-specific operations. It should also be noted that Japanese investment in this sector was motivated by import barriers and government incentives, rather than the opportunity to export to world markets in a low-cost environment (Ishida, 1994). However, Japanese subsidiaries in Australian manufacturing are becoming more outward-oriented as barrier protection falls, while new opportunities are developing in many other areas.

Overall, Japanese subsidiaries in Australia appear to have employment and industrial relations practices which are relatively similar to other firms. There is a general acceptance of the prevailing local award and workplace agreement system by Japanese firms, although minor modification, such as bonuses, above-average remuneration, greater security and training are offered. On the other hand, the diffusion of management to local employees appears to be slower in Australia than in other industrialized countries — possibly because of the different mix of industries that have attracted investment and the somewhat smaller scale of subsidiaries. While the general pattern of Japanese investment is clearer from comprehensive surveys, such as that of the JCCI (1997), it is evident that more reviews of particular cases and firm-specific studies are desirable to evaluate the contribution of Japanese firms in more detail.

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Appendix I

Scope of Japanese FDI statistics

Official statistics on FDI often vary significantly, definitions of FDI change over time and their collection methodologies, coverage and levels of disaggregation all differ (Vukmanic, 1985). There are four major sources of statistics on FDI published in Japan; notifications to the Ministry of Finance, industry surveys by the Ministry of International Trade and Industry (MITI), balance of payments data by the Bank of Japan (BOJ) and industry surveys by the Export-Import Bank of Japan (EXIM). The MITI and EXIM industry surveys exclude major industries such as real estate, finance, insurance and services, while the BOJ balance of payments data are based on actual capital flows and do not include industry or country detail.

Constraints occur in the study of FDI outflows because of the considerable problems in accessing and using Japanese FDI statistics. Several indicators measure the internationalization of Japanese industry, including Ministry of Finance notifications of FDI, Bank of Japan data on disbursed FDI and surveys by the Export-Import Bank (EXIM), the Toyo Keizai company and the Ministry of International Trade and Industry (MITI).

Each has a number of disadvantages — the MITI surveys have a low and varying coverage rate, although they provide considerable detail on sales, employment and sales and export to GDP ratios (Ramstetter, 1996). Bank of Japan FDI data have no industry breakdown and exclude reinvested earnings, as do the MOF series. The EXIM surveys focus on case-studies of investment and surveys of motivation for investment by country and industry, but a consolidated database is not available. The major source for these statistics is the Ministry of Finance (MOF) which records notifications of direct investment by Japanese corporations on an annual basis, but there are few details of investment by country *and* industry in the widely disseminated summary surveys.

The MOF statistics are broken down into investor by industry of investor in Japan, but the definition of FDI has changed over time. Up to November 1980, the statistics refer to proposed investment approved by the Ministry, but from December 1980 they are on a notification basis, following the revision of the Foreign Exchange Law in Japan. The accuracy of the statistics may be questioned, as it is unlikely that either approved or notified FDI equates with actual investment, and divestment is also not included (Stein, 1995).

Other classification and coverage problems also exist with the MOF series. Small amounts of direct investment (less than 3 million in 1980-84 and less than 10 million after April 1984) do not have to be notified; the exclusion of such small investments in MOF statistics is likely to be unimportant. Similarly, the absence of data on direct investment from the retained earnings of Japanese companies is a minor problem, as this would not be large due to the recent nature of investment.

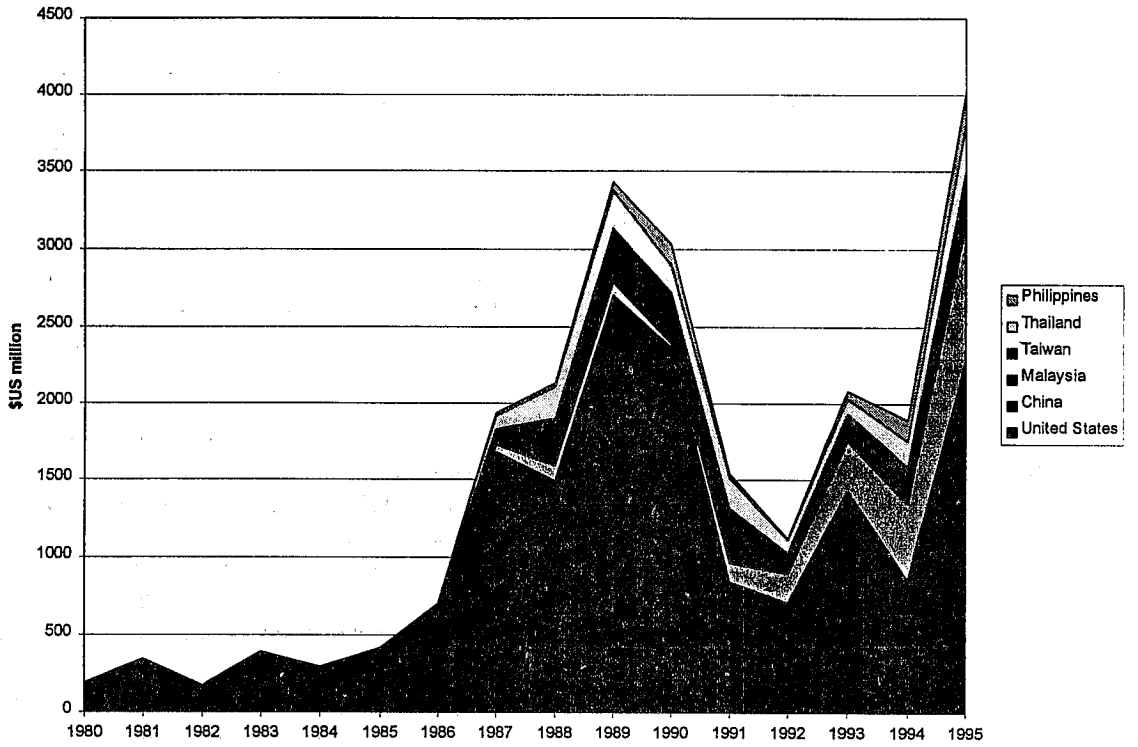
The main deficiency of the MOF statistical collection is that the English version gives details for only a limited time span and statistics on FDI by industry and country are not published at all. A close examination of the literature confirms that virtually all researchers use statistics on industry by region, even when the concept of regions such as "Asia" is not meaningful. Industry-specific studies also lack the basic framework of MOF outflows data by country — even though a large part of the literature on Japanese FDI has focused on explaining direct investment in major industries such as electronics, motor vehicles, chemicals and industrial machinery.

However, it is possible to overcome this deficiency by examining primary Japanese sources. The data are extracted from a complete set of the Annual Reports of the International Finance Bureau of the MOF (*Okurasho Kokusai Kinkyu Kyoku Nenpo*) and fill a notable gap in the statistical sources available for research on Japanese FDI in the postwar period. This database allows either cross-sectional or time-series examination of notifications of investment in 62 countries and 20 2-digit industries up to 30 years. Annual notifications data are available from 1966 to 1995 for outflows; from 1972 to 1995 for outflows by country; and from 1980 to 1995 for outflows by country and industry. The attached tables illustrate the richness of the revised database.

The clearer blueprint in the database of Japanese FDI will allow the industry-specific and geographical determinants of investment to be examined more fully (figure A1). Likewise, the time-series or cross-sectional data on Japanese investment by country or industry now available make it possible to test hypotheses on the determinants of FDI. Access to these data will also allow a separate examination of the

industry-specific and country-specific factors which affected the decisions of Japanese investors to expand their operations offshore.

Figure A1. Japanese FDI in the electronics industry, 1980-95



Source: Author's database.

In the same way, time-series or cross-sectional data of Japanese investment by country or industry can be used to test hypotheses on the determinants of FDI. Access to such data allows a separate examination of the industry-specific and country-specific factors that influenced the decisions of Japanese investors to expand their operations offshore. The following figures illustrate some of the data available.

Figure A2 shows Japanese FDI by industry into Australia for 1980-1995. Figure A3 illustrates Japanese FDI by industry from 1966 to 1995. The larger MOF database creates a number of new possibilities for research into the industry-specific and country-specific determinants of the pattern of investment in recent decades. Table A1 provides more detail of the value of Japanese FDI by industry over the period from 1966 to 1995.

While Japanese FDI data is published in US$ values (except from 1995 onwards), the yen equivalent of investment has been calculated and compared to National Accounts data on a 2-digit basis. This ratio is an industry-specific indicator of the internationalization of Japanese industry and allows an assessment of the significance of FDI relative to domestic investment, profits, employment, taxes and GDP of the appropriate 2-digit industry (also published in the National Accounts).

The ratio of disaggregated FDI to GDP is an indicator of the rate and extent of the internationalization of Japanese industry over the 30-year period since 1966 (table A1). Using this indicator, the likely determinants of Japanese FDI, such as movements in the international value of the yen, can be tested against the dependent variable of FDI/GDP by industry using either time-series, cross-sectional or pooled analysis. The availability of these data also allows testing of the responsiveness of Japanese industries to external changes, such as variations in yen/dollar rates, oil price shocks and the intensity of trade.

Figure A2. Japanese FDI in Australia by industry, 1980-95

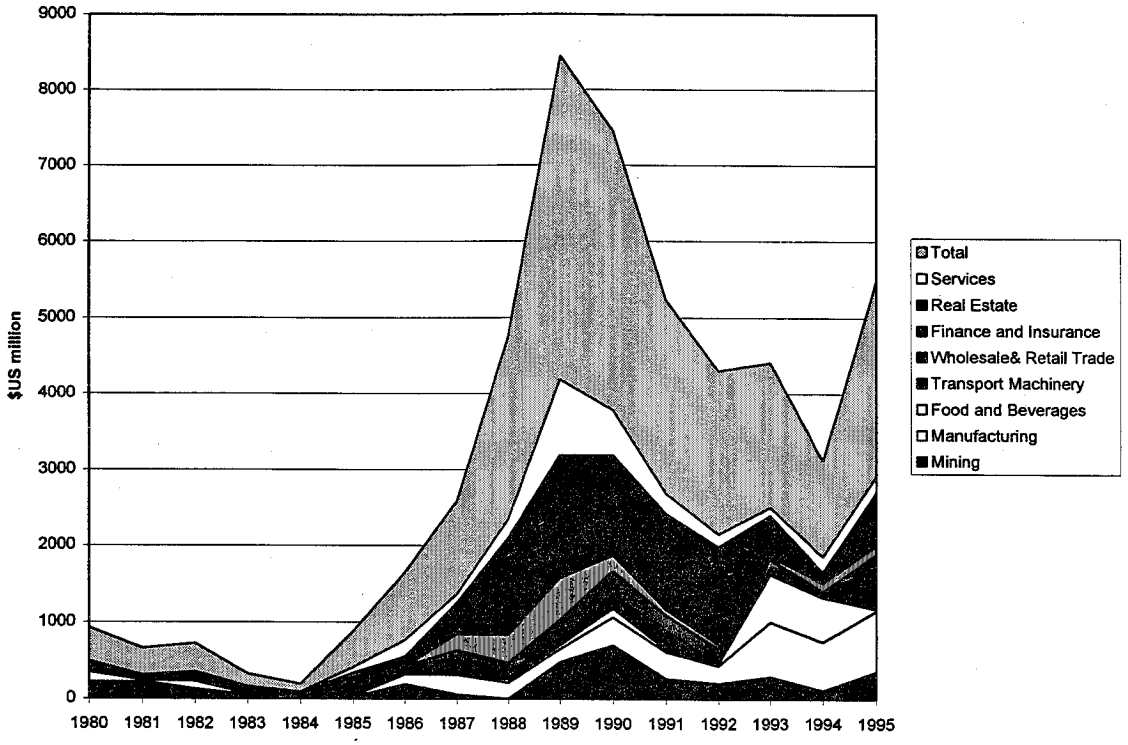
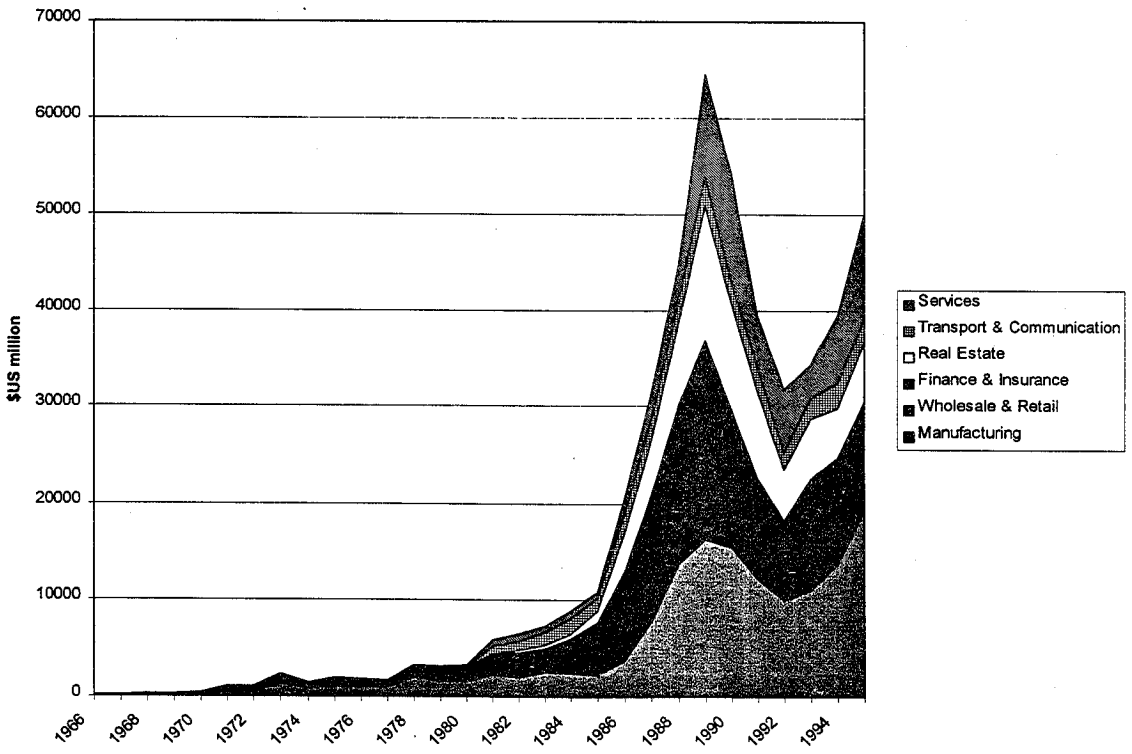


Figure A3. Japanese foreign direct investment by industry, 1966-95



Source: Ministry of Finance, *Annual Report of the International Finance Bureau*, various years.

Table A1. Japanese FDI by industry, 1966-95 (US$ million, current prices)

Major industry	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture, forestry and fisheries	5	8	13	15	18	65	28	98	52	64	64	150	123	155	73
Mining	73	62	159	296	235	222	919	511	742	605	995	452	338	857	565
Manufacturing	86	77	68	133	239	534	528	1 499	879	1 027	1 025	1 074	2 038	1 693	1 706
Food and beverages	2	6	5	4	15	52	29	68	64	58	25	48	67	103	54
Textiles	11	17	15	34	49	74	163	326	176	98	112	158	172	89	91
Lumber and pulp	36	2	17	5	79	33	35	64	61	89	63	52	23	33	78
Chemicals	9	3	5	7	25	42	66	394	97	253	270	325	705	238	314
Steel and non-ferrous	6	20	4	38	9	60	53	245	149	148	171	99	498	578	493
General machinery	3	7	5	9	16	50	40	86	90	98	53	61	119	160	102
Electrical machinery	5	7	7	22	22	111	69	156	99	96	164	161	243	180	309
Transport equipment	10	12	4	6	3	13	42	80	40	101	93	86	114	150	176
Other manufactures	3	3	5	7	22	99	31	79	103	87	74	85	99	161	89
Construction	6	1	1	7	5	38	8	18	18	32	51	39	72	85	37
Wholesale and retail	23	42	118	58	47	485	227	440	351	674	404	344	823	834	797
Finance and insurance	21	46	50	44	89	65	174	308	143	310	219	176	154	198	380
Real estate	na	na	na	na	na	na	55	120	18	11	15	35	98	105	91
Transport and communication	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Services	na	na	na	na	na	na	na	na	na	na	124	109	192	244	251
Total	227	275	557	665	904	1 774	2 338	3 494	2 395	3 280	3 462	2 806	4 598	4 995	4 693
¥/US$ rate	360	360	360	360	360	349.3	303.2	271.7	292.1	296.8	296.6	268.5	210.4	219.1	226.7

Source: Ministry of Finance (*Okura-sho*), Annual Report of the International Finance Bureau (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years.

Table A1. Japanese FDI by industry, 1966-95 (US$ million, current prices) *(cont.)*

Major industry	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Agriculture, forestry and fisheries	111	62	35	50	54	67	141	256	198	214	348	230	129	368	187
Mining	2 534	685	382	484	598	669	511	1 013	1 262	1328	1003	1270	946	475	1034
Manufacturing	2 305	2 076	2 588	2 505	2 352	3 806	7 832	13 805	16 284	15 486	12 311	10 057	11 132	13 784	18 236
Food and beverages	142	78	77	118	90	127	328	419	1 300	821	632	517	888	1 260	811
Textiles	91	67	174	85	28	63	206	317	533	796	616	428	498	641	1 008
Lumber and pulp	65	76	91	115	15	57	317	604	555	314	312	431	346	140	351
Chemicals	228	322	450	223	133	355	910	1 293	2 109	2 292	1 602	2 015	1 742	2 601	2 079
Steel and non-ferrous	521	468	479	718	385	328	786	1 367	1 591	1 047	907	824	754	1 038	1 498
General machinery	207	164	169	185	352	626	687	1 432	1 762	1 454	1 284	1 104	1 171	1 622	1 810
Electrical machinery	475	267	502	409	513	987	2 421	3 041	4 480	5 684	2 296	1 817	2 762	2 634	5 190
Transport equipment	406	439	486	437	627	828	1 473	1 281	2 053	1 872	1 996	1 188	942	2 021	1 939
Other manufactures	169	195	160	215	208	435	703	4 051	1 901	1 207	2 666	1 732	2 029	1 826	3 549
Construction	96	44	55	112	94	250	87	309	646	300	429	534	274	357	385
Wholesale and retail	1 174	1 899	1 164	1 482	1 550	1 861	2 269	3 204	5 148	6 156	5 247	3 705	5 096	4 391	5 149
Finance and insurance	843	533	1 167	2 085	3 805	7 240	10 673	13 104	15 395	8 047	4 972	4 579	6 401	6 499	5 272
Real estate	167	354	375	430	1 207	3 997	5 428	8 641	14 143	11 107	8 899	5 147	6 070	5 122	5 813
Transport and communication	722	702	622	681	665	1 925	2 780	3 732	2 927	2 169	2 489	1 725	2 157	2 603	2 206
Services	623	533	1 167	2 085	3 805	1 560	10 673	13 104	10 616	11 292	5 413	6 530	3 543	7 061	10 350
Total	8 931	7 703	8 145	10 155	12 217	22 320	33 364	47 022	67 540	56 911	41 584	34 138	36 025	41 051	49 568
¥/US$ rate	220.5	249.1	237.5	237.5	238.5	168.5	144.6	128.2	138.0	144.8	134.7	126.7	111.2	102.2	94.1

Notes: Figures for 1995 published in yen values (converted at ¥100=US$), while those for previous years published in US$ values. Exchange rates sourced from IMF, International Monetary Statistics Yearbook, various years.

Source: Ministry of Finance (*Okura-sho*), Annual Report of the International Finance Bureau (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years.

Table A2. Internationalization of Japanese industry, 1966-80 (FDI/GDP for each industry, per cent)

Major industry	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture, forestry and fisheries	0.06	0.07	0.12	0.11	0.13	0.54	0.16	0.41	0.20	0.23	0.22	0.43	0.28	0.36	0.19
Mining	6.44	5.23	12.08	19.45	13.69	12.28	42.21	16.93	22.96	23.20	35.12	12.56	8.06	14.84	9.28
Manufacturing	0.25	0.18	0.13	0.22	0.33	0.66	0.50	1.03	0.57	0.69	0.60	0.52	0.71	0.56	0.54
Food and beverages	0.06	0.10	0.08	0.04	0.18	0.58	0.29	0.50	0.47	0.35	0.12	0.19	0.20	0.32	0.15
Textiles	0.49	0.67	0.47	1.02	1.25	1.71	3.20	4.37	2.23	1.40	1.43	1.67	1.43	0.69	0.76
Lumber and pulp	3.42	0.24	1.22	0.36	4.00	1.60	1.31	1.57	1.10	1.88	1.23	0.87	0.29	0.39	0.91
Chemicals	0.26	0.07	0.12	0.15	0.41	0.62	0.73	3.59	0.82	2.23	2.13	2.12	3.10	0.99	1.40
Steel and non-ferrous	0.17	0.49	0.06	0.65	0.10	0.71	0.45	1.40	0.78	0.90	0.89	0.50	1.60	1.52	1.25
General machinery	0.09	0.21	0.11	0.13	0.21	0.56	0.40	0.64	0.57	0.65	0.33	0.34	0.49	0.59	0.36
Electrical machinery	0.19	0.20	0.16	0.34	0.28	1.34	0.60	1.01	0.63	0.69	0.92	0.75	0.79	0.53	0.82
Transport equipment	0.30	0.24	0.05	0.09	0.04	0.16	0.35	0.47	0.22	0.52	0.41	0.31	0.31	0.39	0.42
Other manufactures	0.06	0.05	0.08	0.10	0.24	0.95	0.20	0.37	0.44	0.34	0.29	0.28	0.23	0.36	0.20
Construction	0.08	0	0	0.07	0.04	0.20	0.02	0.05	0.04	0.06	0.10	0.06	0.08	0.09	0.04
Wholesale and retail	0.15	0.25	0.56	0.24	0.16	1.50	0.53	0.75	0.50	0.91	0.49	0.36	0.64	0.65	0.62
Finance and insurance	0.48	0.87	0.77	0.60	0.93	0.58	1.13	1.43	0.58	1.11	0.75	0.50	0.31	0.39	0.68
Real estate	na	na	na	na	na	na	0.21	0.34	0.05	0.02	0.03	0.05	0.11	0.11	0.09
Transport and communication	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Services	na	na	na	na	na	na	na	na	na	na	na	0.14	0.21	0.21	0.20
Total	0.23	0.23	0.40	0.40	0.46	0.80	0.80	0.87	0.55	0.70	0.66	0.44	0.51	0.54	0.48
¥/US$ rate	360	360	360	360	360	349.33	303.17	271.70	292.08	296.79	296.55	268.51	210.44	219.14	226.74

Note: Figures for 1995 published in yen values (converted at ¥100=US$), while those for previous years published in US$ values.

Source: Ministry of Finance (*Okura-sho*), Annual Report of the International Finance Bureau (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years.

Table A3. Internationalization of Japanese industry, 1981-95 (FDI/GDP for each industry, per cent)

Major industry	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Agriculture, forestry and fisheries	0.27	0.16	0.09	0.12	0.13	0.12	0.21	0.35	0.25	0.28	0.44	0.28	0.15	0.36	0.20
Mining	41.81	13.95	7.45	9.52	11.80	8.82	6.04	9.50	18.1	17.47	11.89	14.15	10.03	4.74	10.10
Manufacturing	0.66	0.64	0.76	0.67	0.60	0.67	1.14	1.66	1.93	1.87	1.31	1.02	1.05	1.23	1.53
Food and beverages	0.37	0.21	0.19	0.29	0.22	0.20	0.46	0.51	1.53	0.98	0.68	0.49	0.70	0.97	0.60
Textiles	0.64	0.54	1.45	0.70	0.24	0.39	1.04	1.38	2.95	4.61	3.41	2.16	2.38	3.18	5.26
Lumber and pulp	0.68	0.89	0.94	1.08	0.15	0.37	1.62	2.50	2.16	1.34	1.25	1.65	1.19	0.45	1.01
Chemicals	0.94	1.36	1.68	0.76	0.46	0.74	1.54	1.83	3.01	3.58	2.27	2.55	2.07	2.82	2.09
Steel and non-ferrous	1.57	1.60	1.67	1.90	0.99	0.61	1.16	1.54	2.21	1.62	1.25	1.11	1.03	1.31	1.75
General machinery	0.60	0.50	0.45	0.46	0.77	0.99	0.99	1.60	1.69	1.35	1.00	0.86	0.95	1.28	1.28
Electrical machinery	1.10	0.65	1.12	0.75	0.90	1.25	2.60	2.66	3.37	4.31	1.52	1.23	1.74	1.51	2.77
Transport equipment	0.85	1.00	1.20	1.01	1.08	1.58	1.86	1.37	2.49	2.32	2.24	1.26	0.90	1.84	1.61
Other manufactures	0.33	0.42	0.30	0.39	0.35	0.49	0.66	3.22	1.48	0.92	1.81	1.11	1.17	1.02	1.91
Construction	0.09	0.05	0.06	0.12	0.09	0.17	0.05	0.13	0.22	0.10	0.13	0.14	0.06	0.07	0.08
Wholesale and retail	0.81	1.47	0.66	0.83	0.86	0.72	0.71	0.85	1.28	1.55	1.14	0.75	1.18	0.75	0.84
Finance and insurance	1.55	0.94	1.74	2.99	5.08	6.65	7.75	7.77	8.02	4.62	2.67	2.41	3.14	2.77	2.25
Real estate	0.14	0.31	0.33	0.35	0.93	2.05	2.21	2.90	4.32	3.46	2.42	1.23	1.21	0.89	0.93
Transport and communication	0.91	0.95	0.86	0.87	0.81	1.61	1.92	2.18	1.42	1.11	1.13	0.74	0.83	0.89	0.70
Services	0.46	0.42	0.76	1.25	2.01	0.54	3.07	3.16	2.50	2.63	1.06	1.13	0.52	0.89	1.26
Total	0.84	0.78	0.74	0.73	0.98	1.22	1.50	1.76	2.39	2.03	1.30	0.99	0.93	0.95	1.09
¥/US$ rate	220.5	249.1	237.5	237.5	238.5	168.5	144.6	128.2	138.0	144.8	134.7	126.7	111.2	102.2	94.1

Note: Figures for 1995 published in yen values (converted at ¥100 = US$), while those for previous years published in US$ values.

Source: Ministry of Finance (*Okura-sho*), Annual Report of the International Finance Bureau (*Okurasho Kokusai Kinyu Kyoku Nenpo*), various years.

Appendix II

The monographs and working papers are published under the ILO's Programme on Multinational Enterprises in response to requests made by the ILO's constituents at meetings of the Governing Body Subcommittee on Multinational Enterprises and sectoral meetings held under the ILO's Sectoral Activities Programme. The working papers, which are signed by their authors, are intended to stimulate discussion and critical comment. [1]

List of publications on specific industries or sectors, under ILO's Programme on Multinational Enterprises

Monographs [2]

Social and labour practices of some European-based multinationals in the metal trades (Geneva, ILO, 1976), 143 pp.
ISBN 92-2-101474-6

Social and labour practices of some US-based multinationals in the metal trades (Geneva, ILO, 1977), 172 pp.
ISBN 92-2-101840-7

Social and labour practices of multinational enterprises in the petroleum industry (Geneva, ILO, 1977), 100 pp.
ISBN 92-2-101806-7

Social and labour practices of multinational enterprises in the textiles, clothing and footwear industries (Geneva, ILO, 1984), 184 pp.
ISBN 92-2-103882-3

Social and labour practices of multinationals in the food and drink industries (Geneva, ILO, 1989), 182 pp.
ISBN 92-2-106431-X

Pratiques sociales des entreprises multinationales opérant dans le secteur des plantations (Geneva, ILO, 1989), 118 pp.
ISBN 92-2-206519-0

Multinational banks and their social and labour practices (Geneva, ILO, 1991), 160 pp.
ISBN 92-2-107285-1
ISBN 84-7434-726-2 (Spanish version published by the Ministry of Labour and Social Security, Madrid, Spain)

[1] All working papers published between 1980 and 1986 are available on microfiche. Price: Sw.frs.500 or US$450 (including a special binder with wallets permitting quick retrieval and systematic filing of microfiches). Working papers that are out of stock are not included in the lists that follow.

[2] The studies carried out in the 1970s are included since they may be useful to those persons wishing to examine developments in a given industry or sector over the decades. They are listed in the language(s) for which there are still stocks.

Other monographs (listed by theme)

Multinationals' training practices and development (Geneva, ILO, 1981), 138 pp.

ISBN 92-2-102569-1

ISBN 92-2-202569-5 (French version)

ISBN 92-2-302569-9 (Spanish version)

Technology choice and employment generation in multinational enterprises in developing countries (Geneva, ILO, 1984), 77 pp.

ISBN 92-2-103718-5

ISBN 92-2-203718-9 (French version)

ISBN 92-2-303718-2 (Spanish version)

Multinational enterprises: Information and consultation concerning their manpower plans (Geneva, ILO, 1985), 193 pp.

ISBN 92-2-105094-7

ISBN 92-2-205094-1 (French version)

ISBN 92-2-305094-4 (Spanish version)

Women workers in multinational enterprises in developing countries. A joint UNCTC/ILO contribution to the United Nations Decade for Women (Geneva, ILO, 1985), 119 pp.

ISBN 92-2-100532-1

ISBN 92-2-200532-5 (French version)

ISBN 92-2-300532-9 (Spanish version)

Safety and health practices of multinational enterprises (Geneva, ILO, 1984, 2nd impr. 1986), 90 pp.

ISBN 92-2-103742-8

ISBN 99-2-203742-1 (French version)

ISBN 92-2-303742-5 (Spanish version)

Multinationals and employment: The global economy of the 1990s, edited by Paul Bailey, Aurelio Parisotto and Geoffrey Renshaw (Geneva, ILO, 1993), 325 pp.[3]

ISBN 92-2-107105-7

ISBN 84-7434-906-0 (Spanish version published by the Ministry of Labour and Social Security, Madrid, Spain)

Working papers focusing on specific industries or sectors

Les effets des entreprises multinationales agro-alimentaires sur l'emploi en Amérique latine (Document du travail n° 4, 1982) 42 pp.

by G. Arroyo, S. Gomes de Almeida and J.M. von Der Weid

ISBN 92-2-202268-8

ISBN 92-2-302268-1 (Spanish version)

International divestment and restructuring decisions (with special reference to the motor industry) (Working Paper No. 40, 1986), 46 pp.

by Mark Casson

ISBN 92-2-105428-2

[3] This updates the two earlier studies: *Employment effects of multinational enterprises in industrialised countries* and *Employment effects of multinational enterprises in developing countries* (published in 1981, 2nd impr. 1985).

Decision-making structure in United States and Japanese manufacturing affiliates in the United Kingdom: Some similarities and contrasts (Working Paper No. 41, 1986), 28 pp.

by John H. Dunning

ISBN 92-2-105429-2

Employment in multinational banking: Recent trends and future prospects (Working Paper No. 50, 1987), 69 pp.

by Amin Rajan

ISBN 92-2-105915-4

Las empresas multinacionales en la ocupación industrial en Argentina, 1973-83 (Documento de trabajo núm. 51, 1988), 105 pp.

by Eduardo Basualdo

ISBN 92-2-306214-4

The employment effects of manufacturing multinational enterprises in Thailand (Working Paper No. 54, 1988), 63 pp.

by Atchaka Sibunruang and Peter Brimble

ISBN 92-2-106738-6

Social and labour issues relating to construction activities: The cases of international contractors from Italy, the Republic of Korea and the United Kingdom (Working Paper No. 65, 1994), 90 pp.

by Aldo Norsa (with contribution by Claudio Sangiorgi) Young-bum Park and Roger Flanagan

ISBN 92-2-107538-9

The emergence of global multi-media conglomerates (Working Paper No. 70, 1990), 54 pp.

by Greg MacDonald

ISBN 92-2-107669-5

Technological and regulatory changes affecting multinational enterprises in telecommunications: Aspects of the impact on the workforce (Working Paper No. 78, 1996), 93 pp.

by Robin Mansell and Puay Tang

ISBN 92-2-110138-X

Women workers and working conditions in retailing: A comparative study of the situation in a foreign-controlled retail enterprise and a nationally owned retailer in Canada (Working Paper No. 79, 1997, forthcoming)

by Işik Urla Zeytinoğlu, principal researcher, and Mikaela Crook, research assistant

ISBN 92-2-110693-4

Multinational enterprises in the courier service industry: Aspects of employment and working conditions in selected enterprises (Working Paper No. 81, 1997), 48 pp.

by Stanley C. Wisniewski

ISBN 92-2-110730-2

Les entreprises multinationales dans l'industrie du textile-habillement en Tunisie: l'impact économique et social (Document de travail n° 82, 1998), 46 pp.

par Riad Meddeb

ISBN 92-2-211092-7

Employment effects of MNEs in industrialized countries

Employment effects of multinational enterprises: A Belgian case-study (Working Paper No. 1, 1979) 88 pp.
by D. Van Den Bulcke and E. Halsberghe
ISBN 92-2-102265-X
ISBN 92-2-202265-3 (French version)

Employment effects of multinational enterprises: A survey of relevant studies relating to the Federal Republic of Germany (Working Paper No. 2, 1979) 34 pp.
by Paul J. Bailey
ISBN 92-2-102266-8

Employment effects of multinational enterprises: The case of the United States (Working Paper No. 12, 1980), 57 pp.
by D. Kujawa
ISBN 92-2-102276-5

Domestic employment effects of direct investment abroad by two Swedish multinationals (Working Paper No. 13, 1981), 58 pp.
by Gary L. Jordan and Jan-Erik Vahlne
ISBN 92-2-102267-6

Employment effects of multinational enterprises: The case of the Republic of Ireland (Working Paper No. 22, 1982), 45 pp.
by Mícheál O Súlleabháin
ISBN 92-2-103249-3

Les effets des entreprises multinationales sur l'emploi: le cas de la France (Document de travail n° 24, 1980), 84 pp.
by Julian Savary
ISBN 92-2-203385-X

The development of employment in multinational enterprises in the Federal Republic of Germany — Results of a new survey (1974-82) (Working Paper No. 33, 1985), 68 pp.
by Werner Olle
ISBN 92-2-103847-5
ISBN 92-2-703847-7 (German version)

Employment impact of foreign investment in Greece, Spain and Portugal (Working Paper No. 44, 1987), 83 pp.
by Peter J. Buckley and Patrick Artisien
ISBN 92-2-105680-5

Multinational enterprises and employment (Working Paper No. 55, 1988), 46 pp.
by Otto Kreye, Jürgen Heinrichs and Folker Fröbel
ISBN 92-2-106803-X

The Nordic countries and multinational enterprises: Employment effects and foreign direct investment (Working Paper No. 57, 1989), 96 pp.
by Greg MacDonald
ISBN 92-2-107136-7

Multinational enterprises and employment: The Canadian experience (Working Paper No. 61, 1990), 64 pp.
by M. Bradley Dow and Pradeep Kumar
ISBN 92-2-107512-5

The employment growth of foreign multinationals: From shift-share to multi-factor partitioning (Working Paper No. 62, 1990), 87 pp.
by Michael Ray
ISBN 92-2-107513-3

The employment effects of multinationals in the United States (Working Paper No. 64, 1990), 117 pp.
by Duncan C. Campbell and Roger McElrath
ISBN 92-2-107537-0

Study on the employment effects of multinational enterprises in Australia (Working Paper No. 68, 1994), 31 pp.
by Greg McDonald
ISBN 92-2-107541-9

Japanese multinationals in Australia: Employment policies and industrial relations 1990-97 (Working Paper No. 85, 1999), 90 pp.
by Peter Drysdale and Roger Farrell
ISBN 92-2-111445-7

Employment effects of MNEs in developing countries

Employment effects of foreign direct investments in ASEAN countries (Working Paper No. 6, 1979), 118 pp.
by Yasuo Kuwahara, Teruo Harada and Yoshihiro Mizuno
ISBN 92-2-102270-6

Employment effects of multinational enterprises in Brazil (Working Paper No. 7, 1982), 110 pp.
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