

Technological Knowledge and Offshore Outsourcing: Evidence from Japanese Firm-level Data

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Abstract

This paper empirically examines the effects of knowledge capital on offshore outsourcing choices based on the original survey data of Japanese firms. The results of multinomial logit model demonstrate that firms' offshoring is positively related with knowledge capital measured by their R&D activities or patenting even after other firm characteristics including productivity, capital intensity, firm age and export status are controlled for. Further, knowledge intensive firms are more inclined to choose foreign insourcing rather than outsourcing, suggesting that firms tend to internalize their technological knowledge in offshore sourcing.

Keywords: Offshoring, outsourcing, productivity, R&D, Patent

JEL codes: D24, F14, L14