Comments and Discussions

Atsushi KITAHARA*

This paper tries to clarify the factors of the recipient countries incentive policies for the multinational companies to invest in foreign countries to avoid the diminishing returns to scale, by using the static and dynamic model of the flowchart analysis.

The main factors are exchange rate devaluation, tax reduction and exemption, and country risk management. For the policy adjustment for these factors, the role of the government is crucial for the multinational companies to decrease the oversea costs, and to form the industrial cluster. The time factor of long term investment is also crucial for the effectiveness of these factors.

As for the framework, it is not easy for this commentator to understand the difference between the incentive policies for the multinationals to invest in industry overseas, and, for them to form the industrial cluster in a certain country, but usually the incentive policy of the recipient country would be realized in a certain country, but usually the incentive policy of the recipient county would be realized in a certain industrial cluster. In this sense, contribution to invest in industry of foreign countries and to form the industrial cluster would be completely overlapped, and it would not any problem.

The minor problems in expression: (1) The expression, `a multinational in industry of diminishing returns to scale will increase production …..' would be more understandable, if it would add `a multinational company in industry of diminishing returns….' (2) the parenthesis of line3 from below, p17, errors? (3) Line 6-8 from below, p.20, should be refined.

The paper can be published, after the minor expression problem parts would be refined.

*Former Professor, Nagoya University