

G20-T20 Roundtable Discussion on
“Global Value Chains for Inclusive Development:
FDI, Investment Facilitation and Linkage Creation”
(May 28, 2019 @UNU, Tokyo, Japan)

Comments on “Linking Domestic Firms to Foreign Investors”

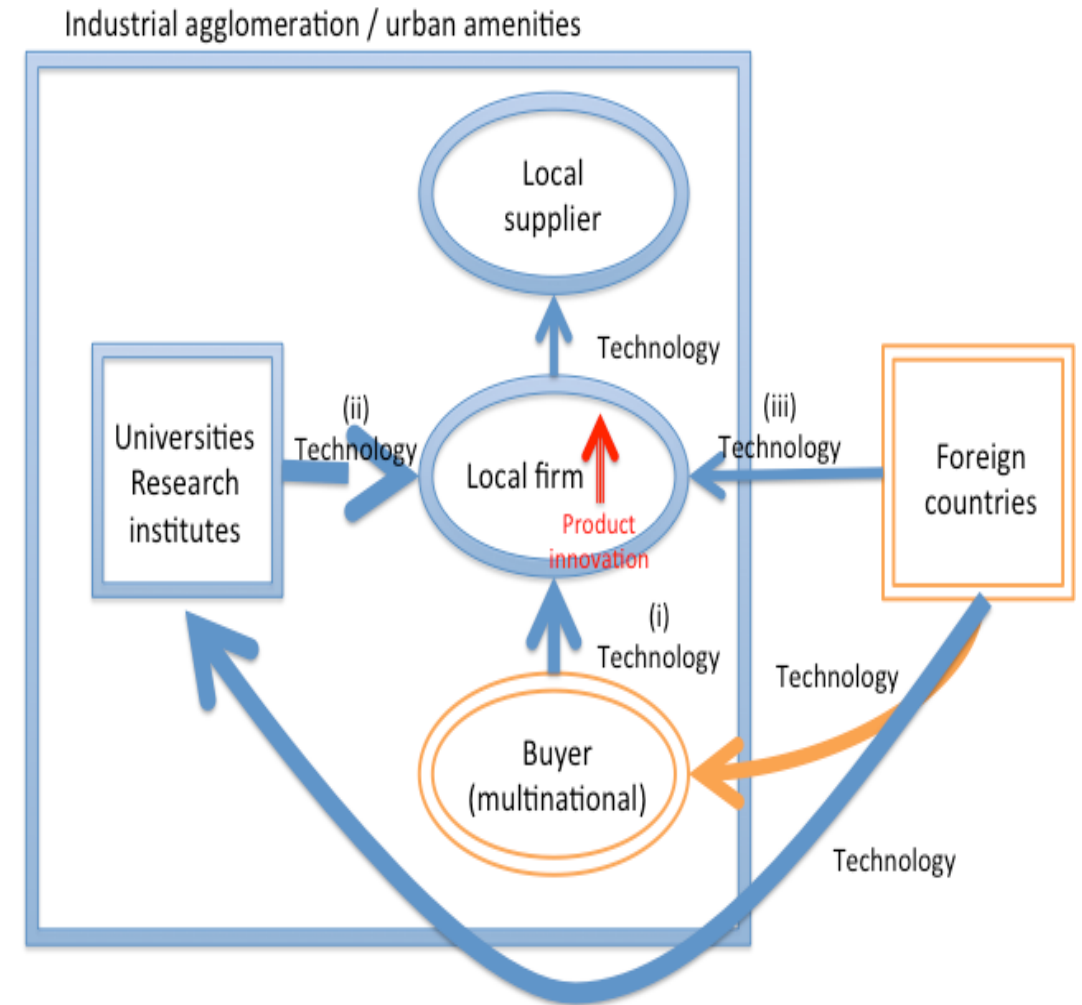
Fukunari Kimura
Lead Co-author of PB4, TF8, T20 2019 Tokyo
Consulting Fellow, RIETI
Chief Economist, ERIA
Professor, Faculty of Economics, Keio University

Appreciation

- Important paper
- Participation in GVCs by local firms (SMEs) through local links with MNEs
 - In reality, direct involvement in exports/imports by local firms (SMEs) is limited.
 - Some micro studies have also verified “GVC participation premium.”
- Essential story to push back a criticism of MNE “enclave.”
 - Thailand vs. other ASEAN Member States
- An issue is how far it would promote innovation.
 - Process innovation, yes. How about product innovation?

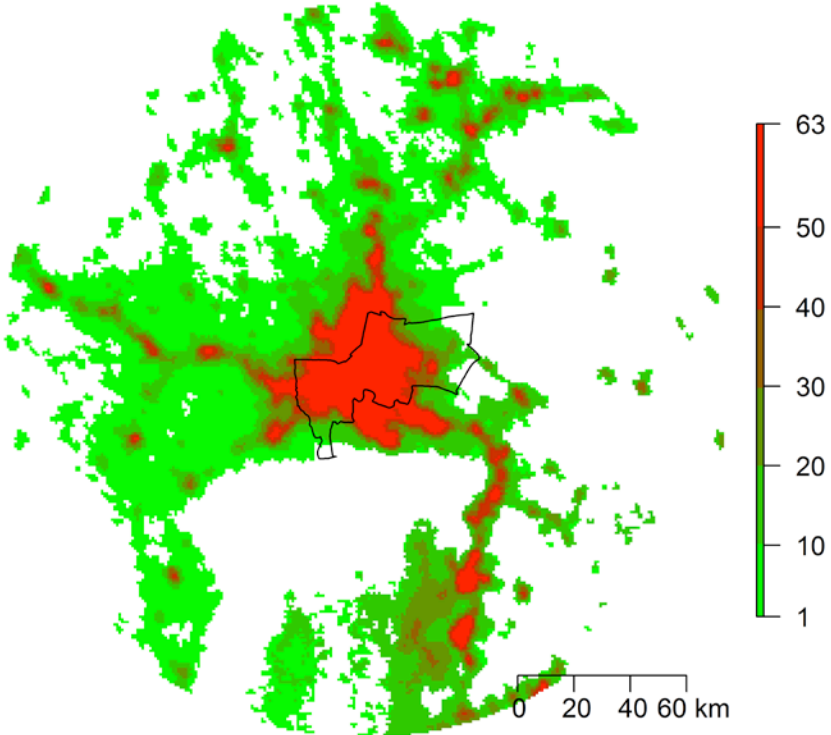
Technological transfer and industrial agglomeration

- ERIA-IDE studies
 - Technology transfer/training for local firms by MNEs is conducted in geographical proximity (Kimura, Machikita, and Ueki 2016).
 - Importance of investment in efficient industrial agglomeration (beyond SEZs) (ERIA 2010, 2015)

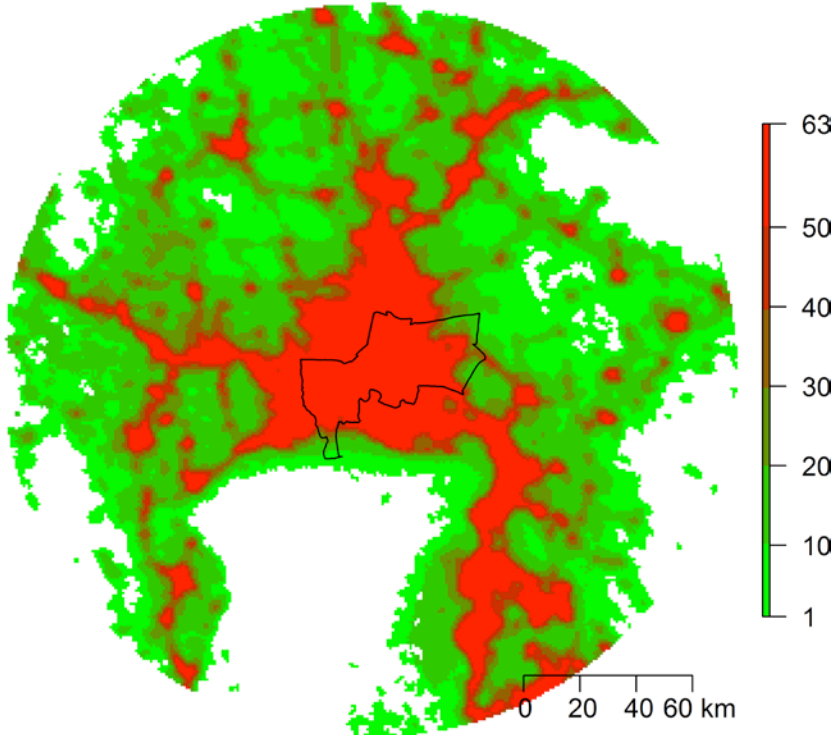


City Size with Nighttime Light from Satellite (conti.)

Bangkok 1992



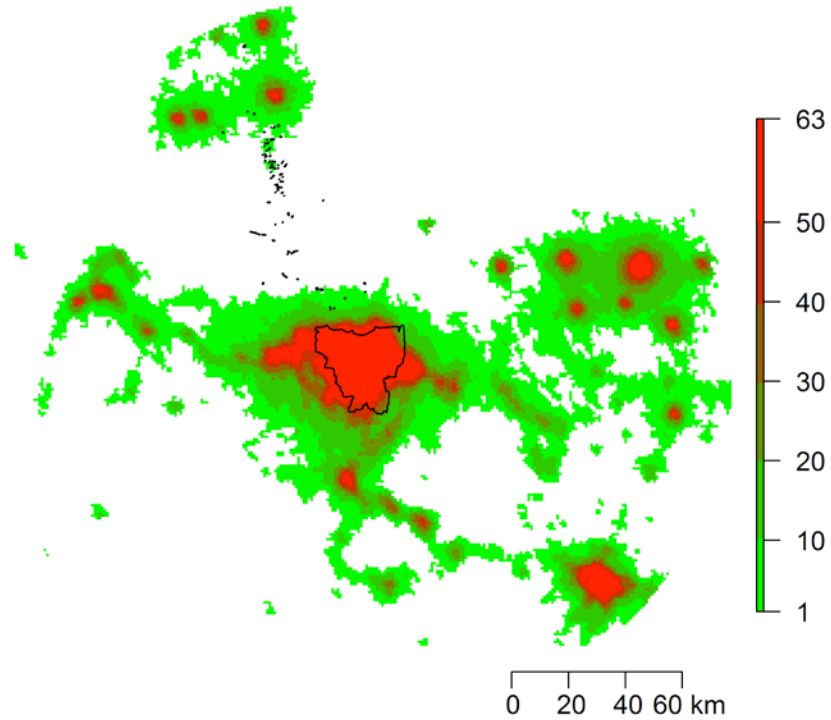
Bangkok 2012



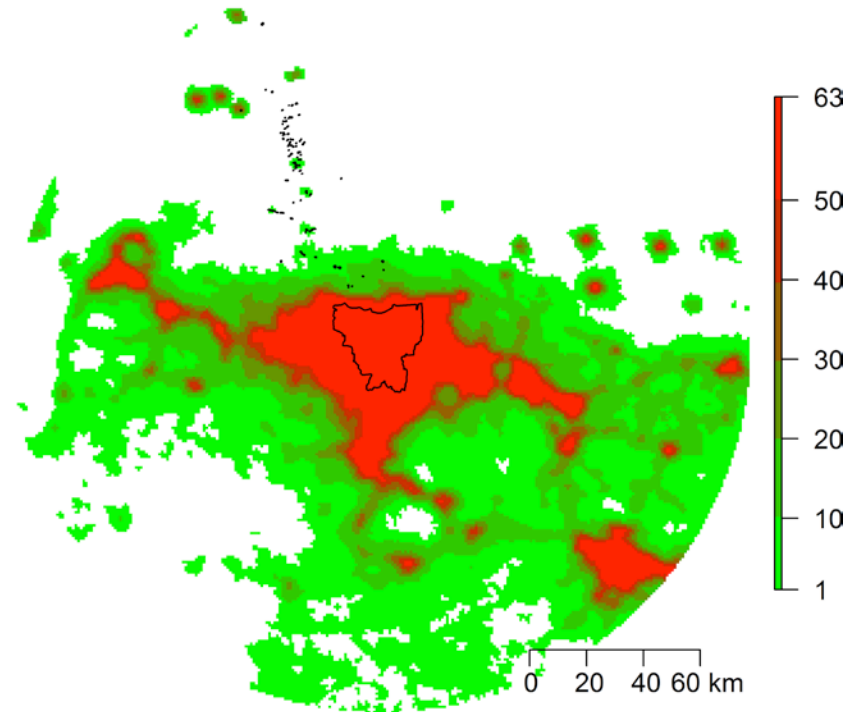
Source: ERIA-IDE GSM Team. Appeared in ERIA (2015).

City Size with Nighttime Light from Satellite (conti.)

Jakarta 1992



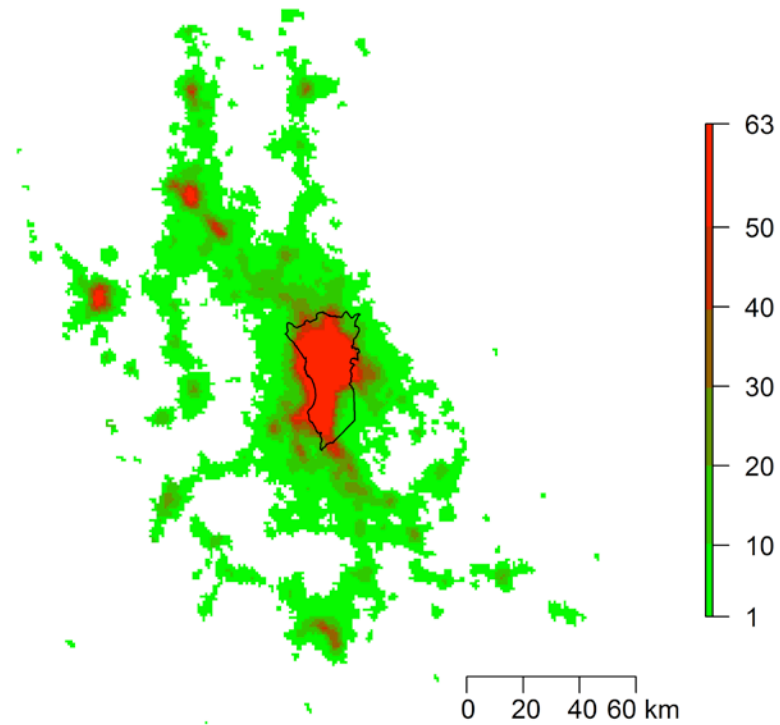
Jakarta 2012



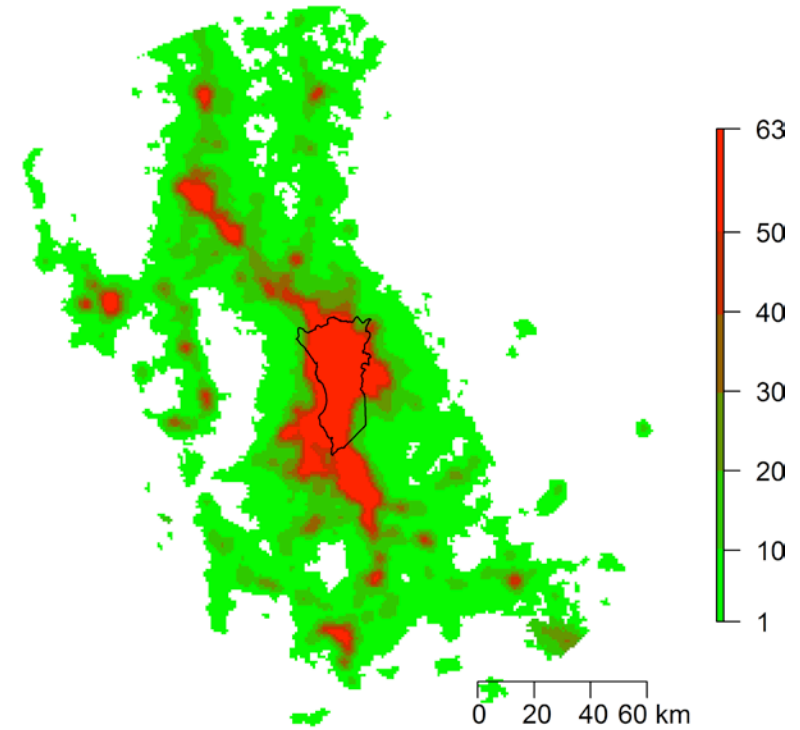
Source: ERIA-IDE GSM Team. Appeared in ERIA (2015).

City Size with Nighttime Light from Satellite (conti.)

Manila 1992



Manila 2012



Source: ERIA-IDE GSM Team. Appeared in ERIA (2015).

Manufacturing versus services

- May have different implication
 - Vertical links vs. spider/franchise
 - IT versus CT
 - Aghion, et al. (2014), Baldwin (2016)
 - IT to retain production blocks in ASEAN
 - CT to extend activities through matching

ASEAN SME Policy Index

- OECD-ERIA SME Policy Index (OECD, ERIA, and ASEC 2018)
 - Stocktaking and evaluation of widely-defined SME related policies.

References

- Aghion, Philippe; Bloom, Nicholas; and Van Reenen, John. (2014) “Incomplete Contracts and the Internal Organization of Firms.” *Journal of Law, Economics, and Organization*, 30(Suppl.1): 37-63.
- Baldwin, R. (2016) *The Great Convergence: Information Technology and the New Globalization*, Belknap Harvard University Press.
- Economic Research Institute for ASEAN and East Asia (ERIA) (2010), Comprehensive Asia Development Plan. Jakarta: ERIA. <http://www.eria.org/projects/CADP.html>
- Economic Research Institute for ASEAN and East Asia (ERIA) (2015) *The Comprehensive Asia Development Plan 2.0 (CADP 2.0): Infrastructure for Connectivity and Innovation*. Jakarta: ERIA.
- Kimura, F., T. Machikita, and Y. Ueki (2016) “Technology Transfer in ASEAN Countries: Some Evidence from Buyer-Provided Training Network Data”, *Economic Change and Restructuring*, Vol.49 No.2, pp.195-219.
- OECD, ERIA, and ASEC. (2018) *SME Policy Index: ASEAN 2018* (<http://www.oecd.org/southeast-asia/sme-policy-index-asean-2018-9789264305328-en.htm>).