Economic Consequences of Globalization
Evidence from East Asia
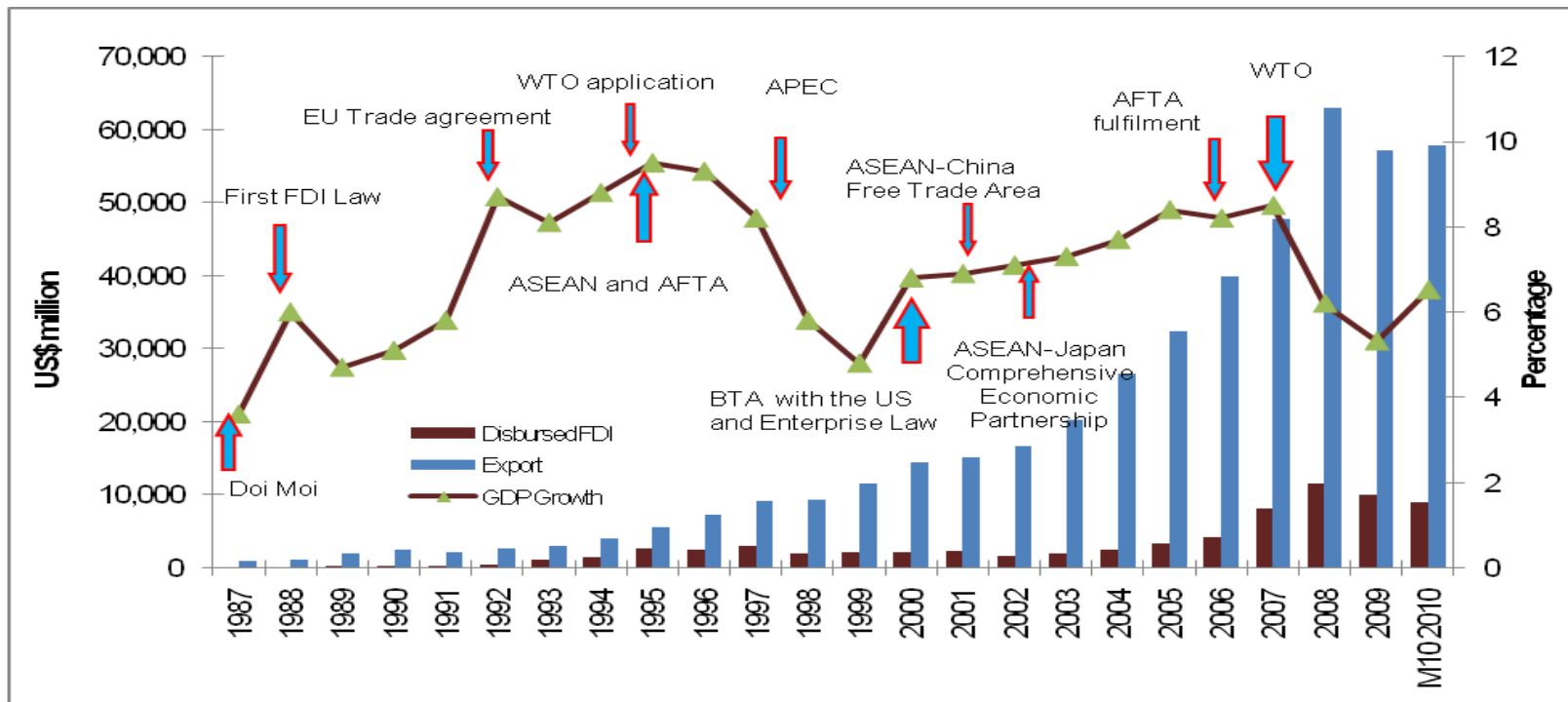
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ERIA Governing Board Meeting, June 2016

Economic Research Institute for ASEAN and East Asia

Globalization and Growth:
Why is it important?

Globalizing Viet Nam Economy

Globalization and Growth:
Why is it important?

- But skepticism exists
  - Ambiguous theoretical prediction (endogenous growth theory)
  - Mixed evidence for impact of liberalization on growth.
  - Uneven welfare impact; raising inequality

Our Research Agenda

'To better understand **how** globalization affect performance of enterprises or industries'

- Focus on the **mechanisms**

- The research provide **strategies** for government to effective facilitation of 'adjustment' process.

Key Features

- **Emerging topics** in literature and practice

- **Micro-level** data (plant, firm, product level)

- **Huge** data size; **long** time-span
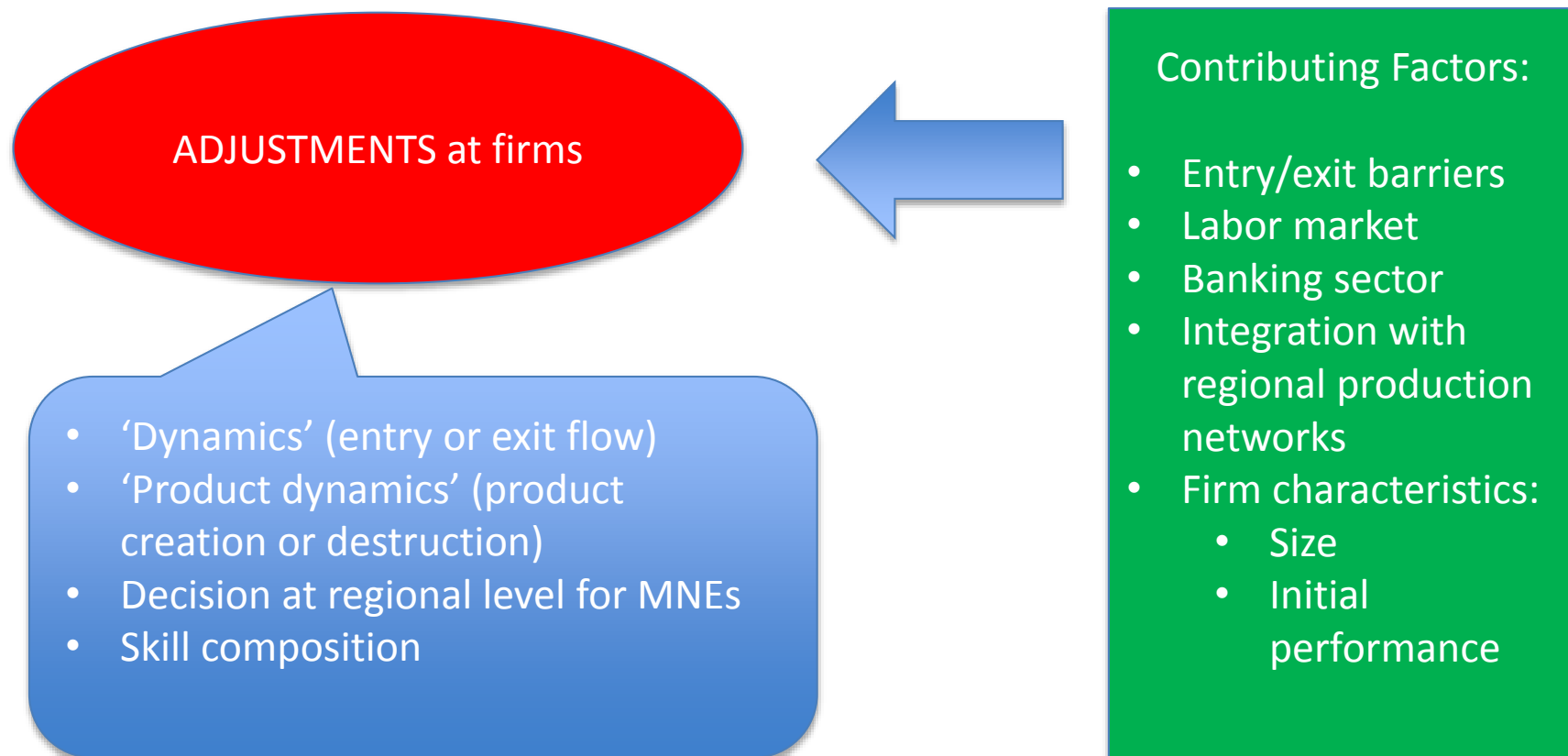
- Cover **most** of Southeast and East Asia

What did We Find?

Innovation → Export → Productivity

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Learning by Exporting

What did We Find?

ADJUSTMENTS at firms

- 'Dynamics' (entry or exit flow)
- 'Product dynamics' (product creation or destruction)
- Decision at regional level for MNEs
- Skill composition

Contributing Factors:

- Entry/exit barriers
- Labor market
- Banking sector
- Integration with regional production networks
- Firm characteristics:
  - Size
  - Initial performance

What did We Find?

- The world has seen an increasing pattern of inequality within countries.
  - **Wage gap** between skilled and unskilled workers widen over time.
- ERIA study provides more detail on how the gap was widened.
- Liberalization forces firms to adopt more advanced machineries.
  - But this is mitigated by a more opened input sector.

How Should Policy Respond?

- Allocate more resources to increase **export participation** or to develop **human capital**

- Ensure **natural selection** (against 'cherry-pick' sectors)

- Create effective ways, strengthening policies, for greater knowledge transfer from foreign firms (**FDI spillover**)