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

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)