



Industry and Manufacturing

2016 Progress Survey Report of Infrastructure Projects in CADP 2.0

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The Economic Research Institute for ASEAN and East Asia (ERIA) submitted the Comprehensive Asia Development Plan 2.0 (CADP 2.0) to the East Asia Summit in 2015. CADP 2.0 updates the infrastructure projects from the first CADP, reformulates the conceptual framework for connectivity and innovation, and discusses the quality of infrastructure projects. It lists 761 East Asian infrastructure projects in a wide range of sectors – such as roads and bridges, railroads, ports, and electric power – which were surveyed in 2016–2017.

This study presents the progress of those infrastructure projects and summarises the trends and prospects obtained from the survey. The results to some extent reflect the political and economic situation in each country and the influence of its policies.

Multi-product Firms, Tariff Liberalisation, and Product Churning in Vietnamese Manufacturing

ERIA Discussion Paper 2018-08

Doan Thi Thanh Ha

Utilising firm-level data covering the 2010–2015 period, this study documents the frequency and characteristics of multi-product firms in Vietnamese manufacturing. Our major findings are as follows. First, multi-product firms are larger, more capital-intensive, more productive, and are more likely to export. Second, multi-product firms are active in the market. Approximately 60% of firms adjust their product scope within a 6-year period. Third, the contribution of firms' product extensive margin to aggregate output growth is limited due to the prevalence of product dropping, which offsets the positive impact of product adding. Most output growth during the period is thus generated by the intensive margin. Turning to the link between tariff reduction and product shedding, we do not detect any significant impact. However, we find that exporters have an important role in product adding, which suggests they may contribute to aggregate growth through the channel of product scope expansion. Contrary to our expectation, our analysis offers limited support for the heterogeneity of product turnover across ownership types. While we find that state-owned enterprises are more likely to spread economic activities across products and industries, there is little difference in terms of product churning amongst foreign direct investment, state-owned enterprises, and the domestic private sector.

Quantitative Assessment of the Impact of EMS Standards on the Firms' Attitude towards Product Safety

ERIA Discussion Paper 2018-07

Duong Lan Huong, Tsunehiro Otsuki, Etsuyo Michida

In response to regulatory policies on environmental and consumer safety, firms implement various initiatives to enhance their environmental compliance to enter or stay in the markets where those regulatory policies are present. Using firm-level data from Japan, this paper examines the impact of ISO14001 adoption and the internationalisation status of firms on their compliance with product-related environmental regulations (PRERs) imposed by the European Union. We apply a bivariate probit model to estimate the relationship between adoption of ISO14001 and compliance with the European Union's RoHS (Restriction of Hazardous Substances) Directive and REACH (Registration, Evaluation, and Authorisation and Restriction of Chemicals) Regulation, taking into account the potential simultaneity between ISO adoption and PRER compliance. Also, the effect of internationalisation status such as participation in global value chains on PRER compliance is examined. The effect of ISO14001 on those PRERs may occur only when firms operate in a stringent regulatory environment.

The Exchange Rate and Exporting: Evidence from Indonesian Manufacturing

ERIA Discussion Paper 2018-18

By Chandra Tri Putra and Dionisius Narjoko

This paper examines the impact of the exchange rate on export performance using plant- and product-level data for the Indonesian manufacturing sector over the period 2008–2012. It addresses both the impacts of the level and volatility of the exchange rate on the value, scope, and composition of exported products. The study finds that the exchange rate affected the export values for the period of analysis, confirming the importance of the exchange rate level and volatility. The findings show that high exchange rate volatility tends to reduce the exporters' product scope, minimising uncertainty. Meanwhile, the impact on product concentration within firms encourages exporters to specialise, concentrating on exporting only of a few products that, presumably, are the exporters' core-competence products. This particular finding underlines the importance of product competition in the export market as another factor affecting the scope and concentration of exporter products. That is, tougher competition in the destination market reduces the mark-up across products and induces an exporter to skew its sales toward its best-performing/core-competence products. The study underlines the importance of policy for hedging the volatility of the exchange rate, which means developing the financial markets to provide sufficient resources or mechanisms for this.