Comments on
“Linking Domestic Firms to Foreign Investors”

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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

City Size with Nighttime Light from Satellite (conti.)

Jakarta 1992

Jakarta 2012

City Size with Nighttime Light from Satellite (conti.)

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


