

October 6, 2019

Project Proposal for Policy Research Network on Contemporary Southeast Asia
(National Graduate Institute of Policy Studies, GRIPS, Tokyo and ERIA, Jakarta)

Foreign Direct Investment, Global Value Chains, and Economic Growth

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I. The objectives and main issues for the project

East Asian economies have achieved rapid economic growth since the end of World War II. Growth performance was particularly remarkable from the mid-1980s to the late 2000s before the Global Financial Crisis. Among the East Asian economies, China achieved exceptionally high economic growth. Although not as high as the growth rate achieved by China, the members of the Association of Southeast Asian nations, ASEAN Member States (AMS), registered quite high growth rates. Considering slowing down of the Chinese economy due to demographic change and other factors, AMS have a very good chance to overtake China in the economic growth race in the future.

Rapid economic growth of AMS and other East Asian economies is attributable to various factors, both internal and external factors, although these two kinds of factors are closely related and thus distinguishing them is not straightforward. Internal factors include stable and sound macroeconomic policies, availability of well-developed infrastructure, availability of low-wage workers, while external factors include rapid and substantial expansion of foreign trade and foreign direct investment (FDI). Indeed, it should be noted that the expansion of foreign trade and FDI was realized because of favorable internal economic situation discussed above. More specifically on external factors, global supply chains (GVCs), which have been constructed by multinational corporations through FDI, contributed to economic growth of the countries involved in GVCs, as GVCs brought them opportunities for exploiting their comparative advantage, expanding foreign trade, acquiring technologies, etc. In light of the observations above, this project attempts to identify the roles of FDI, GVCs and foreign trade in promoting economic growth for selected AMS in unstable global economic situation, and to draw policy implications for achieving economic growth. Possible areas for policy recommendations include those on regional economic integration, enhancing connectivity, human resource development, and research and development.

The papers prepared for the project are expected to cover the following items;

the patterns and trends of inward FDI, the factors affecting inward FDI such as FDI and trade policies, infrastructure, and human resources; the patterns and extent of GVC participation (parts and components trade and/or trade in value added data), the factors affecting GVC participation; the impacts of FDI, trade, and GVCs on economic growth with a focus on their contribution to productivity increase possibly through technology transfer. The paper should also analyze the impacts of China-US trade war, which has been under way since 2018, on GVC, international trade, FDI, and economic growth.

II. Possible papers and paper writers

1.Indonesia (Dionisius A. Narjoko, ERIA), 2.Malaysia (Cassey Lee, ISEAS), 3.Philippines (Rafaelita Aldaba, PIDS) , 4.Singapore (Shandre Thangavelu, University of Adelaide), 5.Thailand (Archanun Kophai boon, Thammasat University), 6.Vietnam (Nguyen Huy Hoang and Chuck Dinh Nguyen), 7. Cambodia (Shandre Thangavelu and a co-author) 8. Overview of FDI, trade, GVCs (Ayako Obashi, Aoyama Gakuin University)

III. Output: Edited book

IV. Timeframe

1st workshop, December 2019

2nd workshop, July 2020

Final draft: December 2020

Final workshop: Early 2021