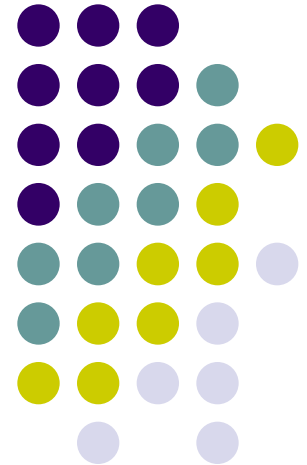


Backward Linkages from Foreign Direct Investment: The Role of Investors' Origins

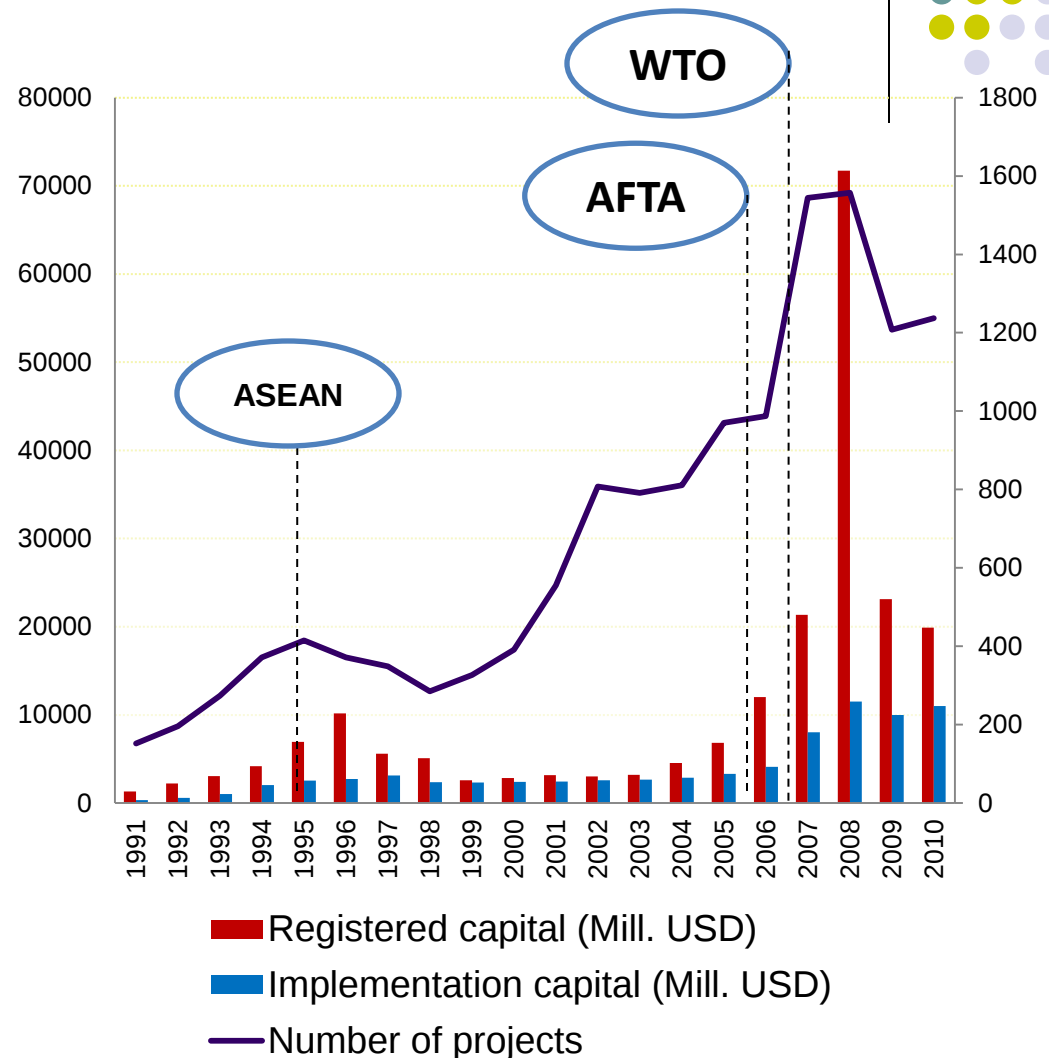
Presented by Pham Thi Bich Ngoc
Hoa Sen University, HCMC - Vietnam

Macau, 09-12 December 2013



FDI in Vietnam - WHY?

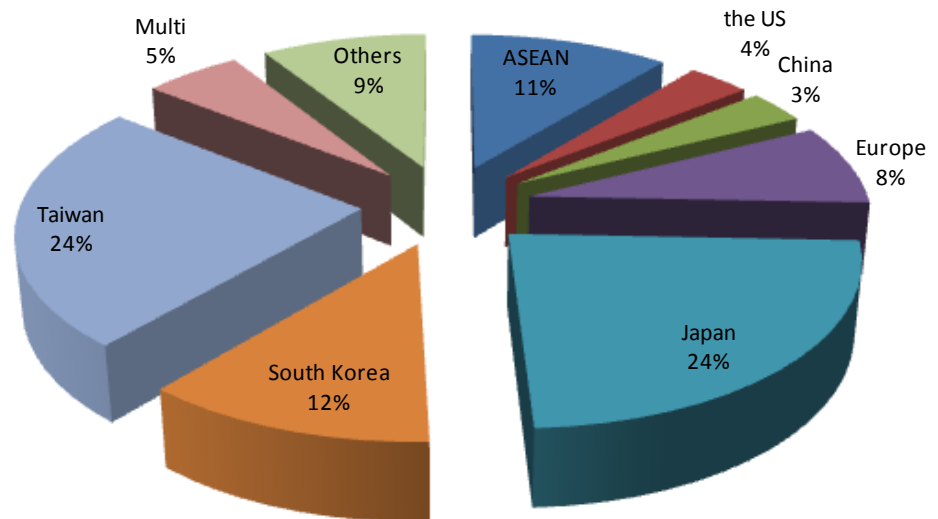
- Vietnam is one of the top 6 destinations for FDI in 2008-2010 (UNCTAD, 2008)
- FDI inflows increased from \$1.3 billion in 1991 to \$19.9 billion in 2010
- Two peaks:
\$10.16 billion in 1996
\$71.73 billion in 2008



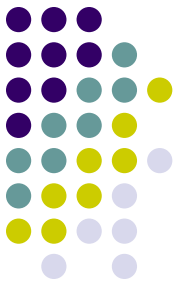
FDI by origin:

- App. 70 countries and territories invest in manufacturing sectors
- Asian economies account for the major part of FDI inflows.
- A strong wave of FDI from ASEAN, Europe, Japan, and Taiwan in 2008.

The Investors' Shares in Manufacturing by Nationality, 2007 - 2010



Productivity spillovers – the framework



- **Horizontal linkages**

FDI spillovers from MNEs entering in the same industry.

Demonstration/Competition/Labor mobility effects/ Market stealing effects

(Wang and Blomström, 1992; Haacker, 1999; Aitken and Harrison, 1999; Javorcik, 2004).

- **Backward linkages**

FDI spillovers from MNEs in downstream/buying industries.

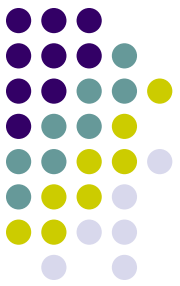
- Knowledge transfer & technical assistance
- High requirement / Increased demand

(Dunning, 1993; Munday *et al.*, 1995; Imrie and Morris, 1992)

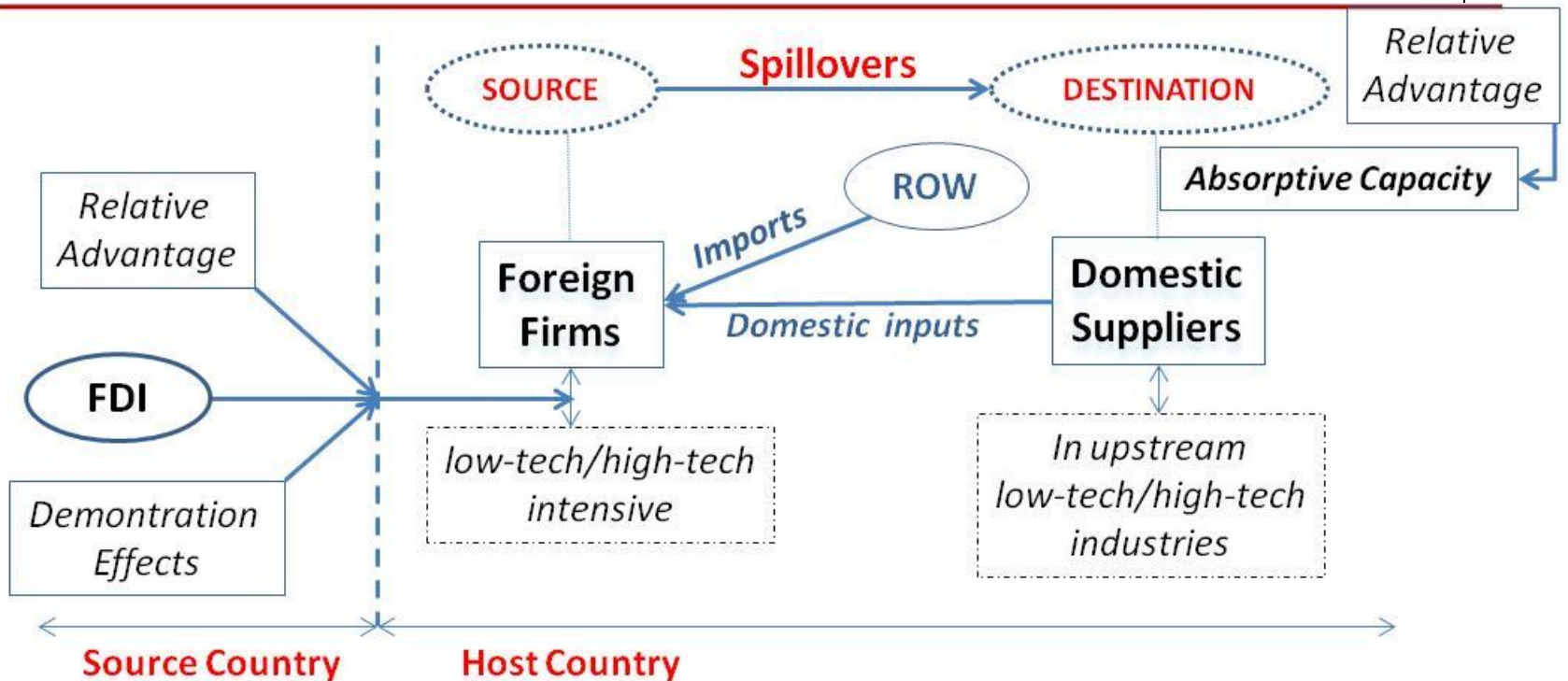
FDI and The Role of Investors' origins



- Development distance between two economies (Findlay, 1978)
- Technology gap between the host and home countries (Glass and Saggi, 1998)
- Geographical distance between the host and home countries (Rodrigues-Clare, 1996)
- Sourcing countries in or out of the agreement association (Regional preferential trade agreements) (Javorcik and Spatareanu , 2011)
 - backward spillovers from investors from EU (-), America (+), and Asia(not significant) to the Romanian firms.



HYPOTHESIS



- FDI from one source economy could be low-tech or high-tech intensive
- FDI from origins that the investors demand more low-tech products possibly bring higher potential of backward spillovers to local suppliers

MODEL AND ESTIMATION STRATEGY:



$$\ln Y_{ijt} = \alpha + \beta_1 \ln K_{ijt} + \beta_2 \ln L_{ijt} + \beta_3 \ln M_{ijt} + \beta_4 \text{Horizontal}_{jt} + \beta_5 \text{Backward}_{mjt} + \varepsilon_{ijt}$$



$$\text{Horizontal}_{jt} = \frac{\sum_{\forall i \in j} \text{Foreignshare}_{it} * Y_{it}}{\sum_{\forall i \in j} Y_{it}}$$



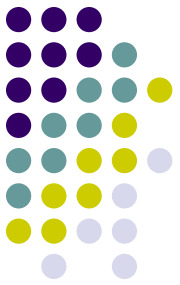
$$\text{Backward}_{mjt} = \sum_{k \text{ if } k \neq j} a_{jk} \text{Horizontal}_{mkt}$$

● where

$$\text{Horizontal}_{mjt} = \frac{\sum_{\forall i \in j} \text{Foreignshare}_{it} * D_m * Y_{imt}}{\sum_{\forall i \in j} Y_{it}}$$

a_{jk} - the proportion of sector j 's output supplied to sector k

m – Origins: Japan, Taiwan, South Korea, US, China, ASEAN, EU, Multi.



	Low Tech	High Tech	
1.	X		D15. Manufacture Of Food Products And Beverages
2.	X		D16. Manufacture Of Tobacco Products
3.	X		D17. Manufacture Of Textiles
4.	X		D18. Manufacture Of Wearing Apparel; Dressing And Dyeing Of Fur
5.	X		D19. Tanning And Dressing Of Leather ...
6.	X		D20. Manufacture Of Wood And Of Products Of Wood ...
7.	X		D21. Manufacture Of Paper And Paper Products
8.	X		D22. Publishing, Printing And Reproduction Of Recorded Media
9.	X		D23. Manufacture Of Coke, Refined Petroleum Products And Nuclear Fuel
10.		X	D24. Manufacture Of Chemicals And Chemical Products
11.	X		D25. Manufacture Of Rubber And Plastics Products
12.	X		D26. Manufacture Of Other Non-metallic Mineral Products
13.	X		D27. Manufacture Of Basic Metals
14.	X		D28. Manufacture Of Fabricated Metal Products ...
15.		X	D29. Manufacture Of Machinery And Equipment N.e.c.
16.		X	D30. Manufacture Of Office, Accounting And Computing Machinery
17.		X	D31. Manufacture Of Electrical Machinery And Apparatus N.e.c.
18.		X	D32. Manufacture Of Radio, Television And Communication Equipment And
19.		X	D33. Manufacture Of Medical, Precision And Optical Instruments ...

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