Evidence-based Development Economics

Essays in Honor of Sanjaya Lall

EDITORS
CARLO PIETROBELLI AND RAJAH RASIAH

UNIVERSITY OF MALAYA PRESS
## Contents

List of Figures ix  
List of Tables xi  
Foreword xiii  
Preface xv  
List of Abbreviations xix  

1 Sanjaya Lall: A Consummate Development Theorist and Policy Advocate  
   Rajah Rasiah and Carlo Pietrobelli  
   Introduction 1  
   Multinationals and Development 2  
   Industrial Policy 4  
   Technological Capabilities 5  
   Alternative Measures of Competitiveness 8  
   This Book 9  

Section 1

2 Multinational Enterprises, Development and Globalization: Some Clarifications and A Research Agenda  
   Rajneesh Narula and John H. Dunning  
   Revisiting the Investment Development Path 18  
   The Graphical IDP 18  
   The Interaction IDP 20  
   What Do We Know About The Interaction Process? 23  
   Heterogeneity in MNE Activity 28  
   Revisiting the Motivations of MNE Activity 34  
   Crowding-in or Crowding-out? The Effect of MNE Activity on Domestic Firms 36  
   Conclusions and Policy Implications 38  

3 R&D, Exports and Systemic Support: Does Ownership Matter in Automotive Parts Firms in East and Southeast Asia  
   Rajah Rasiah  
   Theoretical Guide 48  
   Methodology and Data 50  
   Statistical Results 55  
   Conclusions 58
4 Third World Multinationals Revisited 63  
Hafiz Mirza and Anne Miroux  
The Rise of Developing Country TNCs 64  
The Competitive Advantages of Developing Country TNCs 66  
The Strategy and Motives of Developing Country TNCs 72  
Concluding Remarks: Beyond Third World Multinationals? 76  

5 Upgrading the Technological Capabilities of Foreign Transnational Subsidiaries in Developing Countries: The Case of Electronics in Thailand 83  
Michael Hobday and Howard Rush  
Part 1: TNCs and Technology Upgrading 85  
Part 2: Analyzing the TNC Subsidiaries in Thailand 90  
Part 3: The Case of Seagate Technology Thailand 102  
Part 4: Policy Implications 107  
Conclusion 112  

Section 2  

6 Incentives, Capabilities, and Space. The Evolution of World Trading System and the Future of Developing Countries 121  
Ha-Joon Chang  
Free Trade Isn’t Working: The Disappointing Outcomes 122  
Incentives and Capabilities 123  
Capability Building and Policy Space 128  
Concluding Remarks 133  

7 Natural Resource Industries, “Tragedy of the Commons” and the Case of Chilean Salmon Farming 137  
Michiko Iizuka and Jorge Katz  
Theoretical Considerations 138  
Chilean Salmon Industry 143  
Conclusions 154  

8 Globalization, Industrial Revolutions in India and China and Labor Markets in Advanced Countries: Implications for National and International Economic Policy 161  
Ajit Singh  
India and China and the World 166  
Sustainability of China’s and India’s Industrial Revolutions 171  
Globalization and Labor Market 176  
Dangers from New Globalizers for ACs 181  
Supply-side Shocks and the Growth of Demand 183  
World Financial Imbalances 189  
Policy Implications 192
9 The Challenge of Capability-Building in Low Income Economies: What Difference do the Asian Drivers Make?  
Raphael Kaplinsky  
Four Recurring Themes  
Focusing on Industry  
The End of Manufacturing?  
The Diffusion of Manufacturing or the Diffusion of Technological Capabilities?  
From Strategy to Policy  

Section 3  

10 Innovation Systems and Global Value Chains*  
Carlo Pietrobelli and Roberta Rabellotti  
Innovation Systems in Less Developed Countries  
GVCs in Developing Countries  
Innovation Systems and Their Role in a GVC Perspective  
Conclusions  

11 Measuring Success in the Global Economy: International Trade, Industrial Upgrading, and Business Function Outsourcing in Global Value Chains  
Timothy J. Sturgeon and Gary Gereffi  
Tracking Global Shifts: Conceptual and Measurement Issues  
What Trade Statistics Can Reveal About Global Value Chains  
Using Administrative and Micro-data Resources to Understand Global Value Chains  
What Trade Statistics Hide  
Collecting New Data on Business Functions  
A Proposed List of Business Functions  
Collecting Data on the Geography of Business Functions  
Conclusions  

12 Government Policies and Sources of Firms' Capabilities: A Learning Story from Brazil  
Paulo N. Figueiredo  
Analytical Framework  
Geographical Focus and Empirical Context  
Research Methods  
Empirical Evidence and Discussions  
Conclusions and Implications  

13 The Capabilities Foundations of Technology Management in Rapid Growth, Latecomer Success Stories  
Michael Best  
Introduction: Capabilities Perspectives  
Production Capabilities, Sectoral Transitions and Industrial Growth