Making GVCs Inclusive for ASEAN

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Project Description

- ERIA-ISEAS Project:

  "Small Medium Enterprises (SME) in ASEAN and East Asia Regional Economic Integration"
- Objective:
  - SME participation in ASEAN and East Asian regional economic integration
- Duration: June 2014 - December 2016
- Structure/Coverage:
  - Primary Data:
    - 200 firms per country, 2-3 Industries
    - Sampling:
      - 30%-40% : firms with 11-49 workers
      - 40%-50% : firms with 50-249 workers
      - 20% : firms with 250 or more workers
    - Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Thailand, Vietnam
  - MNE Perspectives:
    - Japan, South Korea, Taiwan

Country	Micro	Small	Medium	Large	Total
Indonesia	1	102	60	37	200
Thailand	0	86	128	87	301
Cambodia	60	36	27	78	201
Vietnam	0	99	99	10	208
Myanmar	17	37	54	90	198
Philippines	13	33	86	73	205
Malaysia	0	79	114	33	226
Total	**91**	**472**	**568**	**408**	**1,539**

	Indonesia	Thailand	Cambodia	Vietnam	Myanmar	Philippines	Malaysia
1. Burn-in	0	0	2	0	0	0	3
2. Component parts	0	0	0	0	0	0	103
3. Software systems	0	0	0	0	0	0	3
4. Diodes and transistors	0	0	0	0	0	0	25
5. Smart cards	0	0	0	0	0	0	21
6. Modules and arrays	0	0	0	0	0	0	8
7. Diodes and components	0	0	0	0	0	0	26
8. Printed circuit boards	0	0	0	0	0	0	35
9. Cathode-ray tv pictubes and tv camera picture tubes	0	0	0	0	0	0	2
10.Manufacture of food products	52	95	22	48	90	11	0
11. Manufacture of beverages	20	0	10	0	0	2	0
12. Manufacture of tobacco products	0	0	1	0	0	0	0
13. Manufacture of textiles	1	10	2	82	0	4	0
14. Manufacture of wearing apparel	70	0	80	0	102	23	0
15. Manufacture of leather and related products	14	21	7	0	0	2	0
16. Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	15	0	1	78	2	1	0
17. Manufacture of paper and paper products	0	0	0	0	1	3	0
18. Printing and reproduction of recorded media	0	0	6	0	0	3	0
20. Manufacture of chemicals and chemical products	0	0	0	0	0	13	0
22. Manufacture of rubber and plastics products	0	104	2	0	0	18	0
23. Manufacture of other non-metallic mineral products	0	0	0	0	0	1	0
24. Manufacture of basic metals	0	0	1	0	0	4	0
25. Manufacture of fabricated metal products, except machinery and equipment	0	9	30	0	0	16	0
26. Manufacture of computer, electronic and optical products	3	0	2	0	0	9	0
27. Manufacture of electrical equipment	4	0	0	0	0	3	0
28. Manufacture of machinery and equipment n.e.c.	0	33	0	0	0	4	0
29. Manufacture of motor vehicles, trailers and semi-trailers	1	0	1	0	0	14	0
30. Manufacture of other transport equipment	0	0	3	0	0	1	0
31. Manufacture of furniture	20	29	10	0	0	5	0
32. Other manufacturing	0	0	20	0	3	67	0
33. Repair and installation of machinery and equipment	0	0	1	0	0	1	0

Measuring SME Involvement in GVC

- Project does not focus on GVCs but may offer some insights from data collected
- Purchase of inputs & sale of outputs
- Indirect
  - Exporting intermediate goods – parent-co, sister-co, subsidiary-co, unrelated-co
  - Importing intermediate goods
- Direct
  - In-house sourcing
  - Outsourcing (domestic, foreign)

Industry	Non-Exporting	Exporting	Total	% Non-Exporting	% Exporting
1. Burn-in	4	1	5	80	20
2. Component parts	82	21	103	80	20
3. Software systems	3	0	3	100	0
4. Diodes and transistors	6	19	25	24	76
5. Smart cards	21	0	21	100	0
6. Modules and arrays	6	2	8	75	25
7. Diodes and components	14	12	26	54	46
8. Printed circuit boards	12	23	35	34	66
9. Cathode-ray tv pictubes and tv camera picture tubes	2	0	2	100	0
10.Manufacture of food products	225	93	318	71	29
11. Manufacture of beverages	25	7	32	78	22
12. Manufacture of tobacco products	1	0	1	100	0
13. Manufacture of textiles	51	48	99	52	48
14. Manufacture of wearing apparel	138	137	275	50	50
15. Manufacture of leather and related products	19	25	44	43	57
16. Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	68	29	97	70	30
17. Manufacture of paper and paper products	2	2	4	50	50
18. Printing and reproduction of recorded media	8	1	9	89	11
20. Manufacture of chemicals and chemical products	7	6	13	54	46
22. Manufacture of rubber and plastics products	85	39	124	69	31
23. Manufacture of other non-metallic mineral products	1	0	1	100	0
24. Manufacture of basic metals	3	2	5	60	40
25. Manufacture of fabricated metal products, except machinery and equipment	37	18	55	67	33
26. Manufacture of computer, electronic and optical products	4	10	14	29	71
27. Manufacture of electrical equipment	5	2	7	71	29
28. Manufacture of machinery and equipment n.e.c.	18	19	37	49	51
29. Manufacture of motor vehicles, trailers and semi-trailers	11	5	16	69	31
30. Manufacture of other transport equipment	3	1	4	75	25
31. Manufacture of furniture	42	22	64	66	34
32. Other manufacturing	37	53	90	41	59
33. Repair and installation of machinery and equipment	2	0	2	100	0
Total	942	597	1,539	61	39

	Micro			Small			Medium			Large		
Industry	NX	X	Total	NX	X	Total	NX	X	Total	NX	X	Total
1. Burn-in				2	0	2	2	1	3	0	0	0
2. Component parts				49	0	49	32	17	49	1	4	5
3. Software systems				3	0	3						
4. Diodes and transistors				3	0	3	3	9	12	0	10	10
5. Smart cards				19	0	19	2	0	2			
6. Modules and arrays				2	0	2	4	0	4	0	2	2
7. Diodes and components				1	0	1	11	5	16	2	7	9
8. Printed circuit boards							12	16	28	0	7	7
9. Cathode-ray tv pictubes and tv camera picture tubes							2	0	2			
10.Manufacture of food products	24	0	24	110	27	137	59	29	88	32	37	69
11. Manufacture of beverages	5	0	5	8	2	10	10	2	12	2	3	5
12. Manufacture of tobacco products										1	0	1
13. Manufacture of textiles	0	1	1	23	7	30	28	28	56	0	12	12
14. Manufacture of wearing apparel	2	5	7	33	14	47	33	26	59	70	92	162
15. Manufacture of leather and related products	3	1	4	8	14	22	5	5	10	3	5	8
16. Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials				44	13	57	23	14	37	1	2	3
17. Manufacture of paper and paper products							2	1	3	0	1	1
18. Printing and reproduction of recorded media	3	0	3	4	0	4	1	1	2			
20. Manufacture of chemicals and chemical products				3	0	3	3	5	8	1	1	2
22. Manufacture of rubber and plastics products	2	0	2	18	6	24	43	14	57	22	19	41
23. Manufacture of other non-metallic mineral products	1	0	1									
24. Manufacture of basic metals	1	0	1				2	2	4			
25. Manufacture of fabricated metal products, except machinery and equipment	19	0	19	8	1	9	8	15	23	2	2	4
26. Manufacture of computer, electronic and optical products							2	1	3	2	9	11
27. Manufacture of electrical equipment				1	0	1	3	0	3	1	2	3
28. Manufacture of machinery and equipment n.e.c.				9	3	12	6	12	18	3	4	7
29. Manufacture of motor vehicles, trailers and semi-trailers	1	0	1	1	0	1	4	0	4	5	5	10
30. Manufacture of other transport equipment	3	0	3				0	1	1			
31. Manufacture of furniture	5	0	5	16	6	22	19	11	30	2	5	7
32. Other manufacturing	14	1	15	4	10	14	10	22	32	9	20	29
33. Repair and installation of machinery and equipment							2	0	2			
Total	83	8	91	369	103	472	331	237	568	159	249	408

Preliminary Findings - 1

- Exporting propensity differs across industries
- Size matters in firm participation in exporting
- Probit regressions - non-exporters & exporters:
  - Dependent variable: sale of intermediate goods
  - Independent variables: size, online sale, online purchase, online payment
- Main constraint on SME relating to export per se
- ICT-variables – significant → sale, purchase, payment

Findings - 2

- Outsourcing – foreign sources
- Probit regressions
  - Dependent variable: outsourcing from foreign sources
  - Independent variables: size, online sale, online purchase, online payment
- Online sale and purchase – only significant for medium and large-sized firms
- Small firms face severe constrains in participating in GVCs?

Preliminary Findings - 3

- Government variables:
  1. Support for participation in events in countries abroad (e.g. fairs and exhibitions)
  2. Support for organising meetings with potential partners (e.g. trade partners, R&D partners and networking)
  3. Provision of financial support (e.g.grants, subsidies, loans)
- Exporting intermediate goods → Policy no.2 for medium-sized firms
- Foreign outsourcing → Policy no.1 for medium-sized firms

THANK YOU

Suggested Topics

- What does evidence suggest about GVCs and inclusivity?
- How do SMEs engage and benefit from GVCs?
- Are NMS being left out?
- What aspects are to be considered in spreading the gains from GVCs to the grander population?
- What can policy do (or what is currently being done) to make GVCs more inclusive?

SME Definition

No of employees/workers:

- Micro: < 10
- Small: 10 - 49
- Medium: 50 - 249
- Large: ≥ 250