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Abstract Submission for Dr. Ganeshan Wignaraja, Team Leader (Trade Integration) and Senior Trade Economist, Asian Development Bank

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The neo-technology theories of trade and their variants predict that innovation plays a role in determining trade patterns between countries. In a related tradition, case studies of firms have identified the acquisition of technological capabilities as a key ingredient in the export success of East Asian countries (e.g. Hobday 1995; Ernst, Ganiatsos and Mytelka, 1998; Kim and Nelson, 2000) over the last several decades. However, there has been little econometric confirmation of the link between technological capabilities and exports at firm-level in East Asian countries or of related explanatory factors (such as ownership and investment in skills). This remains a notable gap in the literature on innovation in developing countries. Drawing on recent literature on measuring technological capabilities (using a technology index as a proxy such as Wignaraja, 2008) and access to firm-level datasets, this paper attempts to provide econometric verification of the relationship between technological capabilities and exporting in major East Asian countries such as China and Thailand. The study's findings provide econometric evidence on the links between acquiring technological capabilities, foreign ownership and exporting at firm-level in China, Thailand and other East Asian economies. The experience of East Asia indicates that acquiring technological capabilities is an important route to export-oriented success in industrial latecomers. More generally, the study also suggests that measuring technological capabilities using a technology index and econometric analysis are important developments in the literature on innovation in developing countries as well as tools for further research.

See

Ganeshan Wignaraja (2008), "Foreign Ownership, Technological Capabilities and Clothing Exports in Sri Lanka" *Journal of Asian Economics*, January