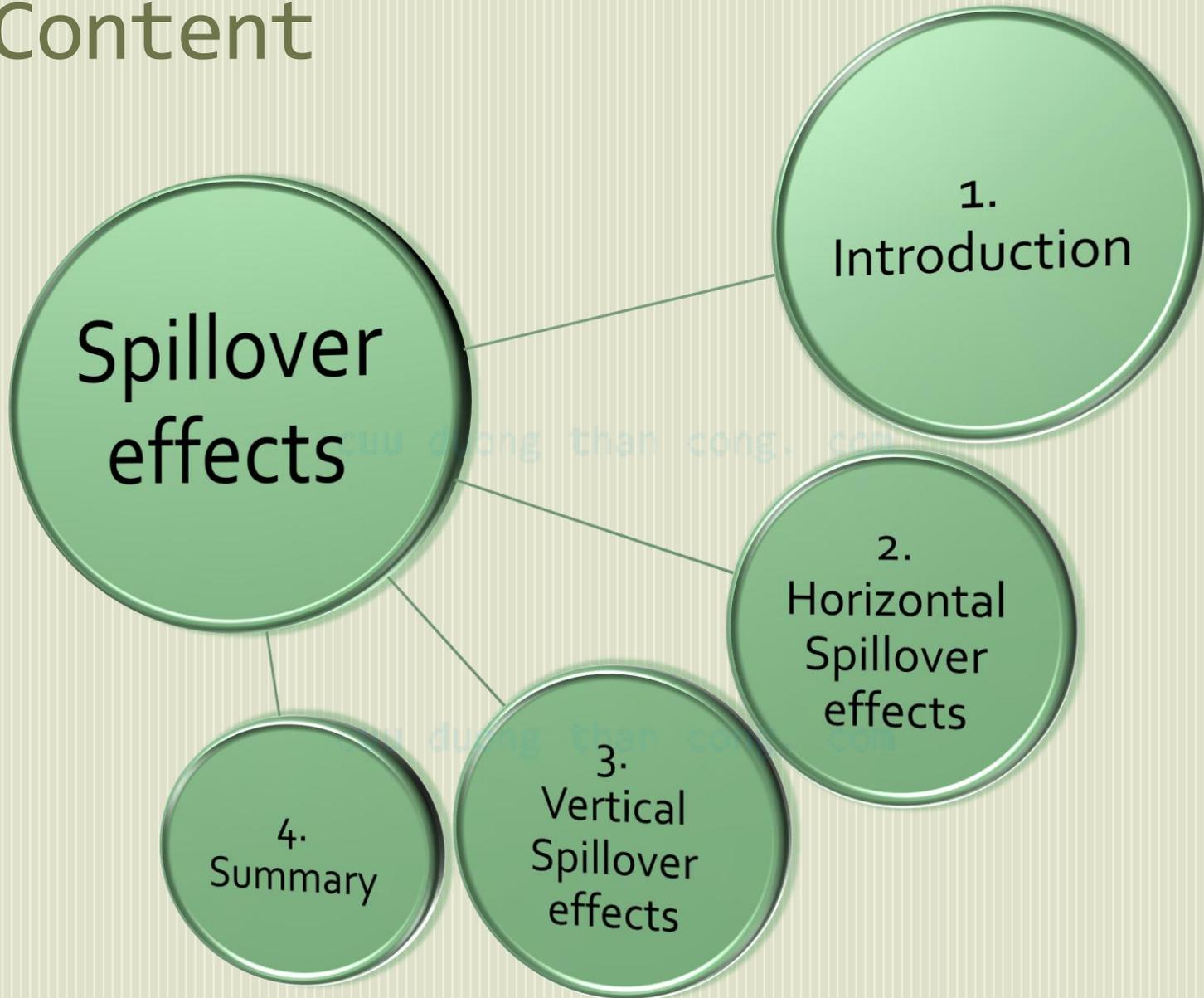


FDI'S SPILLOVER EFFECTS

A woman in a blue jacket and beige skirt stands in a doorway, looking towards a large pile of fish. The fish are piled high on a white surface, with many more scattered on the floor. The room has patterned wallpaper and a white cabinet.

Group 9:
Nguyen thi Mai Anh
Nguyen Le Dung
Tan Thi Hau
Nguyen thi Thanh Xuan

Content



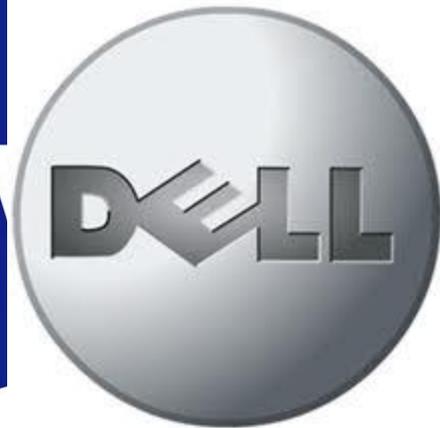


1. Introduction

Nguyen Le Dung

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Unilever



1. Introduction

Definition:

Spillover effects are externalities of economic activity or processes that affect those who are not directly involved.

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(Wikipedia.org)



Introduction

- In Vietnam: Spillover effects have brought a lot of improvement, however, the level of Spillover effect is still low.

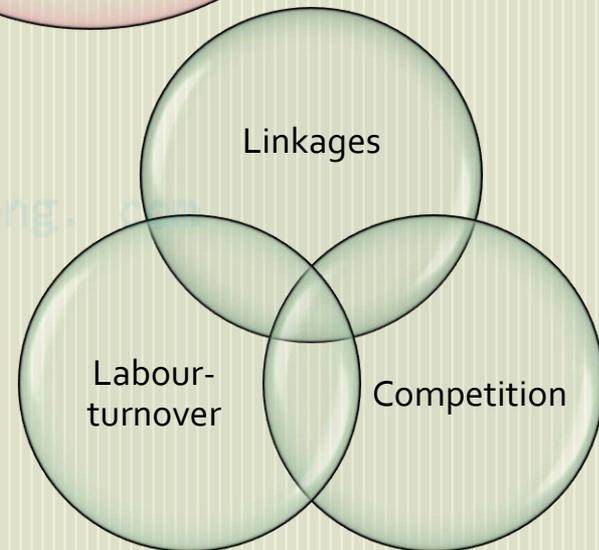
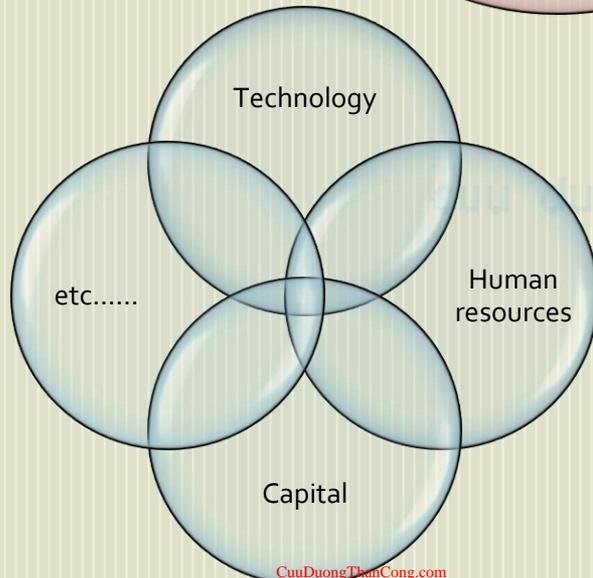
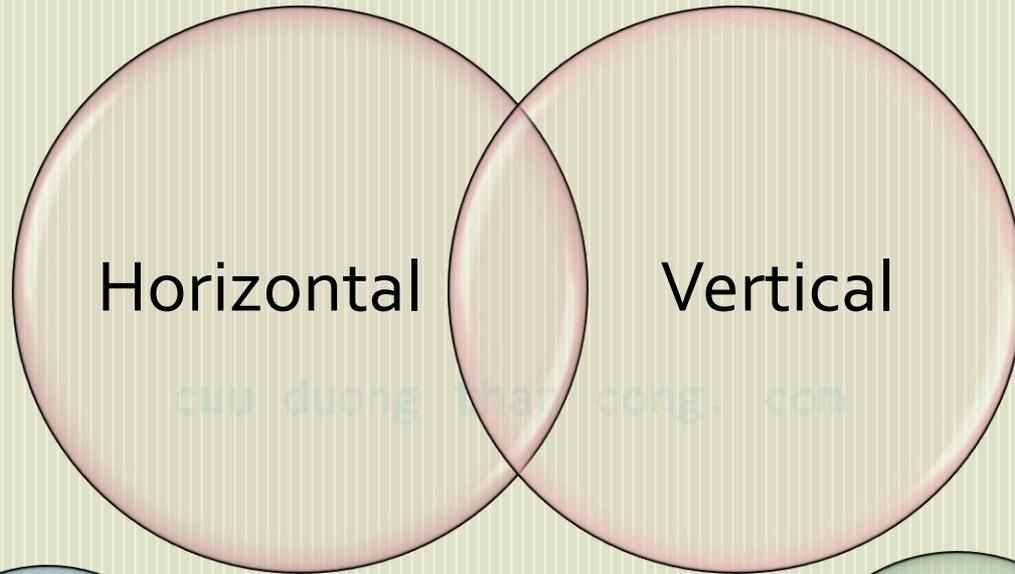
Biểu 8 Tình hình sản xuất và thực hiện nội địa hóa của công ty Honda Việt Nam

Năm	Sản xuất			Tỉ lệ nội địa hóa (%)	Số xí nghiệp cung cấp phụ tùng	
	(nghìn chiếc)	Tỉ trọng trong tổng sản xuất (%)	Tỉ trọng trong sản xuất từ FDI (%)		Tổng số	Nội địa
1998	60	16	na	44 (12)	16	5
1999	90	16	42	51 (17)	19	5
2000	160	10	54	51 (29)	28	8
2001	170	8	60	53 (44)	31	10
2002	390	43	63	66 (52)	32	11
2003	450	37	49	70 (71)	42	13

Chú 1. Số liệu trong ngoặc là tỉ lệ nội địa hóa theo kế hoạch đăng ký khi xin phép đầu tư.

Tư liệu: Điều tra của tác giả.

Spillover effects' clasifiction





2. Horizontal spillover effects

Nguyen thi Mai Anh

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Horizontal spillover effect

- By definition
- Is the effect foreign companies make on their local competitors (i.e companies within the same sectors)

Horizontal spillover forms

1. Technological spillover

2. Worker mobility spillover

3. Competitive spillover





3. Vertical spillover effects

Nguyen thi Thanh Xuan

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FDI's Vertical Spillovers and its illustration on Vietnam



• Definition

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• Classification

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FDI's Vertical Spillovers

-Definition-

- effects that might improve the domestic companies' efficiency and performance:
 - foreign companies require higher standards from their suppliers
 - higher standards are provided by foreign companies to domestic companies

FDI's Vertical spillover effect

- Objects of vertical spillovers
 - companies that supply or provide services for foreign firms
 - companies that are supplied by foreign firms

FDI's Vertical Spillovers and its illustration on Vietnam



• Definition

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• Classification

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Classification

Vertical spillovers

**Knowledge
spillovers**

**Competition
spillovers**

**Spillovers
through
forward or
backward
linkages**

a. Knowledge spillovers

- pure technological externalities
- enable local firms to imitate MNEs
 - imitation of management practices or exporting practices
 - imitation of product or process technology

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In Vietnam

working in FDI contacts enables local workers to learn more about knowledge, management, and marketing skills than working in 100% foreign-owned capital firms where most of the high positions might be hold by foreign experts.
Pham Xuan Kien (2008)

b. Competition spillovers

- Towards Local firms
- inefficiency reduced
- incentives for faster adoption of new technologies
- However, decrease the productivity of local firms if they lose market shares and are pushed up their average cost curves

c. Spillovers through forward or backward linkages

- Backward linkage: between foreign firms and their suppliers
- Forward linkage: between foreign firms their buyers

Backward linkage spillovers in Vietnam

- occur mainly in four regions:
 - the Red River Delta
 - the North East,
 - the South Central Coast
 - the South East
- Reasons:
 - more advanced conditions of infrastructure, human capital stock and technology
 - most of Vietnam's imports and export activities take place

Nguyen Phi Lan (2008)

Forward linkage spillovers in Vietnam

- only industries of medium technologies
- Reasons: having intermediate goods of better quality and lower cost

Nguyen Phi Lan (2008)

Reference

1. <http://www.cerge-ei.cz/pdf/wp/Wp340.pdf>
2. <http://www.etsg.org/ETSG2003/papers/balsvik.pdf>
3. <http://eria.org/pdf/research/y2008/no1/DEI-Ch13.pdf>



4. Some other negative effects and Conclusion

Tang Thi Hau

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Vertical effects : Might improve the domestic companies' efficiency and performance

- Knowledge spillovers

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- pure technology

- MNEs imitation

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- **Competition spillovers**

- inefficiency reduced

- incentives

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- 
- **Spillovers through forward or backward linkages**

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Horizontal effects

- Improve performance and effectiveness
- Might increase in efficiency of production process

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Negative effects

- If FDI is in non-tradable business, they can pick the best local company, price others out of the local market.
- They can pick the industry with weak local companies and put it in a Greenfield. Greenfield often bring state-of-the-art technologies and may not use local market at all.

Thank you
for
listening!

