

Policy Research Institute Conference
on
Globalization and Equitable Development

Organizers:

Institute of Developing Economies, JETRO (IDE-JETRO)

The Centre for Strategic and International Studies (CSIS), Indonesia

Economic Research Institute for ASEAN and East Asia (ERIA)

Date: 20 April, 2015

Venue: Conference Hall, CSIS, Indonesia

Background and Objective

Trade and investment barriers have been eliminated on a global scale, and as a result, transportation costs within a country as well as across countries are falling. However, globalization raises several research agendas. First, globalization increases development gaps within a country (Krugman 1991) while decreases the gaps between countries as Krugman and Venables (1995a) defined the core-periphery structure. Second, more strictly speaking, globalization generates unequal geographical distribution of production where manufacturing and services concentrates in a few poles at country, region, and continental levels (Krugman and Venables, 1995b). This means that earlier policy action builds more advantage production and service position in the world. Third, the capability of each firm to respond to globalization is so heterogeneous that a small number of large scale firms are able to export and take outward foreign direct investment while most of firms are not (Melitz, 2003).

The Krugman's theoretical studies on location of industry implies that the implementation of China (Shanghai) Pilot Free Trade Zone in 2013 and the smaller negative lists and geographical expansion in 2014 and 2015, that is, a TPP counter measure by the Chinese government, where services are liberalized except negative lists with national treatment as well as reported base than approval base, is expected to generate large positive impacts on China and negative impacts on neighboring economies. Indeed, the IDE-JETRO study predicts that earlier reduction of service barriers and non-tariff barriers to trade as well as geographical expansion would

increase not only service industry but also manufacturing in China while decrease them in neighboring economies, in particular, non-TPP members (Kumagai et al., 2015). TPP would offset the negative impacts from the China (Shanghai) Pilot Free Trade Zone. The simulation results provide evidences to support the argument of *UNCTAD World Investment Report 2013* that global value chain contains a large number of services trade because intermediate goods and services are inputs at various stages in the production process of goods and services for final consumption.

Perceiving the economic impacts, the dialogue between research institutes and policy makers in Jakarta aims to share the study results, and exchange ideas of policy measures for equal development. The following points will be discussed in four sessions. First, how much services industries are liberalized and how much of non-tariff barriers to trade are left in Asia. Second, we share the economic impacts of the reduction of service barriers and non-tariff barriers in the context of location of industry and economic development. Third, in globalization, it is very important for not only developing economies but also developed ones to participate in higher value-added tasks and chains. What policy measures are required for achieving it? Finally, we will pay attention to the heterogeneous issue stemming from globalization. Due to lack of human resources, SMEs will less benefit from globalization. What policy measures are required for SMEs in developing economies to participate in supply chains?

Reference

- Krugman, Paul (1991). "Increasing Returns and Economic Geography", *The Journals of Political Economy*, Vol. 99 No. 3. (Jun., 1991), pp. 483-499.
- Krugman, Paul and Anthony J. Venables (1995a). "Globalization and the Inequity of Nations," *the Quarterly Journal of Economics*, Vol.110, No4 (November), 857-880.
- Krugman, Paul and Anthony J. Venables (1995b). "The Seamless World: A Spatial Model of International Specialization," NBER Working Paper 5220.
- Kumagai Satoru, Ikumo Isono, Toshitaka Gokan, Kazunobu Hayakawa, Kenmei Tsubota and Keola Souknilanh (2015). "Economic Impacts of China (Shanghai) Pilot Free Trade Zone: Geographical Simulation Analysis by IDE-GSM". in the joint study of IDE-JETRO and Shanghai Academy of Social Science, *China (Shanghai) Pilot Free Trade Zone and the Future of Asia*.

Melitz, Marc J. (2003).“The Impact Of Trade On Intra-Industry Reallocations And Aggregate Industry Productivity,” *Econometrica*, , v71(6,Nov), 1695-1725.

UNCTAD (2013). “Global Value Chains: Investment and Trade for Development,” *World Investment Report* 2013.

Agenda

8:30-8:55 Registration

Opening Session

9:00-9:10 Welcome Remark: Rizal Sukma, Executive Director, CSIS, Indonesia

9:10-9:20 Opening Remark: Takashi Shiraishi, President of IDE-JETRO

9:20-9:30 Opening Remark: Hidetoshi Nishimura, Executive Director of ERIA

Chair: Daisuke Hiratsuka, Executive Vice President, IDE-JETRO

9:30-9:40 Photo Session

9:40-10:00 Coffee Break

Session 1: Service Liberalization and Non-tariff Barriers in Asia

Moderator: Yose Rizal Damuri (Head of Department of Economics, CSIS, Indonesia)

10:00-10:20 Speaker 1: Hikari Ishido, Professor of Chiba University

“Service Liberalization in Asia”

10:20-10:40 Speaker 2: Kazunobu Hayakawa, IDE-JETRO

“Quantifying Non-tariff Measures”

10:40-10:45 Commentator 1: Kiki Verico, University of Indonesia

10:45-10:50 Commentator 2: Akihiko Tamura, RIETI

10:50-11:20 Open Discussion

Session 2: International and Domestic Development Gaps

Moderator: Masami Ishida, IDE-JETRO

11:20-11:40 Speaker 1: Ikumo Isono, IDE-JETRO

“Shanghai Pilot Trade Zone and Its Impacts on the China’s Neighboring Economies”

11:40-12:00 Speaker 2: Vid Adrison, University of Indonesia

“FDI spillover in Indonesia”

12:00-12:05 Commentator 1: Yose Rizal Damuri, CSIS

12:05-12:10 Commentator 2: Maddaremmeng A. Panennungi, University of Indonesia

12:10-12:40 Open Discussion

12:40-13:30 Lunch

Session 3: Climb-up Value-Chains in Globalization

Moderator: Raymond Atje, CSIS

13:30-13:50 Speaker 1: Tadashi Ito, IDE-JETRO

“Unveiling the evolving sources of value added in manufacturing (Smile curve)”

13:50-14:10 Speaker 2: Amalia Adininggar Widiasanti, BAPPENAS

“Globalization and Global Value Chain: How can Countries Take Benefits from it?”

14:10-14:30 Speaker 3: Siwage Dharma Nagara, Researcher, LIPI (Currently Visiting Fellow, ISEAS)

“Innovation Policy and Global Value Chain”

14:30-14:35 Commentator 1: Fithra Faisal Hastiadi, University of Indonesia

14:35-14:40 Commentator 2: Ratih Dyah Kusumastuti, University of Indonesia

14:40-15:10 Open Discussion

15:10-15:30 Coffee Break

Session 4: SMEs Participation in Supply Chains

Moderator: Eugenia Mardanugraha

15:30-15:50 Speaker 1: Yasuyuki Todo, Waseda University

“Obstacles to Internationalization of SMEs”

15:50-16:10 Speaker 2: Dionisius A. Nardjoko, ERIA

“Firm Characteristic Determinants of SME Participation in Production Networks”

16:10-16:15 Commentator 1: Kazumi Nishikawa, JETRO Singapore

16:15-16:20 Commentator 2: Kadek Sutrisna, University of Indonesia

16:20-16:50 Open Discussion

Wrap-up and Closing Remark

16:50-17:00 Daisuke Hiratsuka, Executive Vice President, IDE-JETRO, IDE-JETRO

Participant List

<Indonesia side>

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| Rizal Sukma | Executive Director, Centre for Strategic and International Studies (CSIS), Indonesia |
| Yose Rizal Damuri | Head of the Department of Economics, Centre for Strategic and International Studies (CSIS), Indonesia |
| Kiki Verico | Head of International Trade Research, Institute for Economic and Social Research (LPEM), University of Indonesia |
| Vid Adrison | Deputy Director, Graduate Program in Economics, University of Indonesia |
| Maddaremmeng A. Panennungi | Senior Lecturer, Faculty of Economics, University of Indonesia |
| Amalia Adininggar Widyasanti | Director of Trade, Investment & International Economic Cooperation, National Development Planning Agency (BAPPENAS) |
| Siwage Dharma Negara | Researcher, Research Center for Economics, Indonesian Institute of Sciences (LIPI) |
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| Dionisius A. Nardjoko | Economist, Economic Research Institute for ASEAN and East Asia (ERIA) |
| Kadek Sutrisna | Director, Institute for Economic and Social Research (LPEM), University of Indonesia |
| Eugenia Mardanugraha | Director, SME Centre, Faculty of Economics and Business, University of Indonesia |
| Raymond Atje | Senior Fellow, Centre for Strategic and International Studies (CSIS) |
| Ratih Dyah Kusumastuti | Lecturer, Department of Management, Faculty of Economics and Business, University of Indonesia |

<Japan side>

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| Takashi Shiraishi | President, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) / a Member of ERIA Academic Advisory Council |
| Hidetoshi Nishimura | Executive Director, Economic Research Institute for ASEAN and East Asia (ERIA) |
| Daisuke Hiratsuka | Executive Vice President, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |
| Hikari Ishido | Professor, Department of Policy Studies, Faculty of Law and Economics Chiba University, Japan |
| Kazunobu Hayakawa | Research Fellow, Institute of Developing Economies, JETRO Bangkok |
| Akihiko Tamura, | Senior Fellow, Research Institute of Economy, Trade and Industry (RIETI) |
| Ikumo Isono | Research Fellow, Economic Geography Study Group, Interdisciplinary Study Center, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |
| Masami Ishida | Director General, Development Study Center, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |
| Tadashi Ito | Director, Technological Innovation and Economic Growth Studies group, Interdisciplinary Study Center, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |
| Yasuyuki Todo | Professor, Faculty of Political Science and Economics, Waseda University |
| Kazumi Nishikawa | Executive Director, JETRO Singapore |
| Yoshihiro Otsuji | Professor, National Graduate Institute for Policy Studies (GRIPS) |
| Kenichi Tomiyoshi | President Director, JETRO Jakarta Office |
| Mitsutoshi Okabe | Vice-President Director, JETRO Jakarta Office |

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| Chiaki Higashi | Project Formulation Advisor, JICA Indonesia Office |
| Taisuke Ozawa | Project Formulation Advisor, JICA Indonesia Office |
| Masaya Yaguchi | Representative, JICA Indonesia Office |
| Koshi Yamada | Deputy Director General, Department of Research Planning, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |
| Keitaro Araki | ERIA Support Office, Research Management Staff, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |
| Marina Ono | ERIA Support Office, Research Management Staff, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) |