

The East Asian Electronics Sector: The Roles of Exchange Rates, Technology Transfer, and Global Value Chains

Dr. Guanie Lim (Assistant Professor)

GRIPS

Commentary Notes to Dr Willem Thorbecke's Presentation

Research Institute of Economy, Trade and Industry (RIETI)

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Executive Summary

- A solid summary of how the electronics sector developed in various East Asian economies
- What worked vs what did not work
- Real world/policy implications for other developing (and developed) economies
 - ❖ Focus of the commentary here

Theme 1: Successful (but Vulnerable) East Asian Supply Chains

- Efficiency of various electronics goods has gone up considerably, while cost has dropped
 - ❖ My Xiaomi Mi 11 Lite 5G beats my old 486 desktop easily
 - ❖ Also much cheaper, if you account for inflation since the 1990s
- But, this ‘success’ comes at a price
 - ❖ Driven largely (or too much?) by cost/efficiency concerns
 - ❖ Vulnerable to supply shocks (e.g. COVID, trade wars, physical wars)

Theme 2: Friendshoring to the Rescue

- Refer to the recent IMF report for more details on trade/FDI diversion
- But more importantly, how do you define a ‘friend’? Or ‘rival’? Or ‘frienemy’?
 - ❖ How about being ‘friends’ on a particular issue (say, military conflict) but being ‘rivals’ on another issue (say, climate change)?
- Also, what if your ‘friend’ was fundamentally uncompetitive in the task that he/she was supposed to do?
 - ❖ See example of Foxconn’s investment to build an LCD manufacturing plant in the state of Wisconsin
 - ❖ ‘In the end fewer than 300 people worked there, and many spent their time watching Netflix and playing video games’ (p.72)

Theme 3: Economy Strategy/Industrial Policy Back in Vogue

- Economy strategy/industrial policy has become more acceptable now
- However, strategies/industrial policies vary by countries/industries
- Upper middle-income economies with relatively modest population size like Malaysia/Thailand cannot realistically push policies that bigger/richer ones are targeting
 - ❖ More realistic to improve overall business climate than to opt for grand plans
 - ❖ Or, target more 'horizontal' industrial policies than 'vertical' ones
- Additionally, how do you finance such strategies/industrial policies?
 - ❖ Samsung invests about USD15 billion in R&D per year, which is about 1/6 that of Malaysia's 2023 budget (USD87 billion)...

Thank You!