

Policy Recommendations

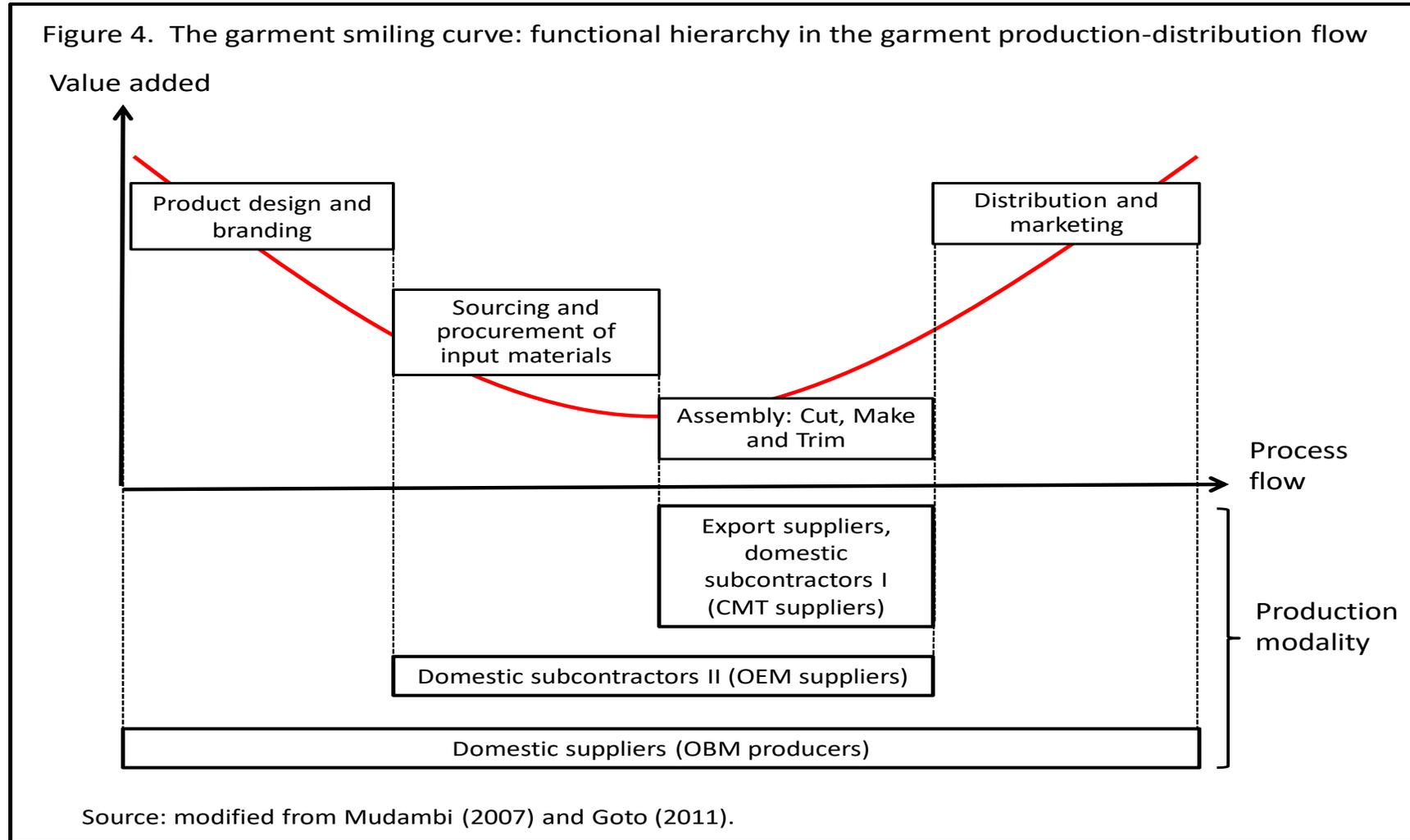
(afternoon session)

The way forward 1 (for export): Upgrading in process and products

- Low productivity at the firm level a major obstacle to exporting (Melitz, 2003)
- As the number of exporters in the region increases, other firms in the same region are more likely to engage in exporting (Okubo et al., 2015; Todo, 2011)

Functional Fragmentation

Figure a



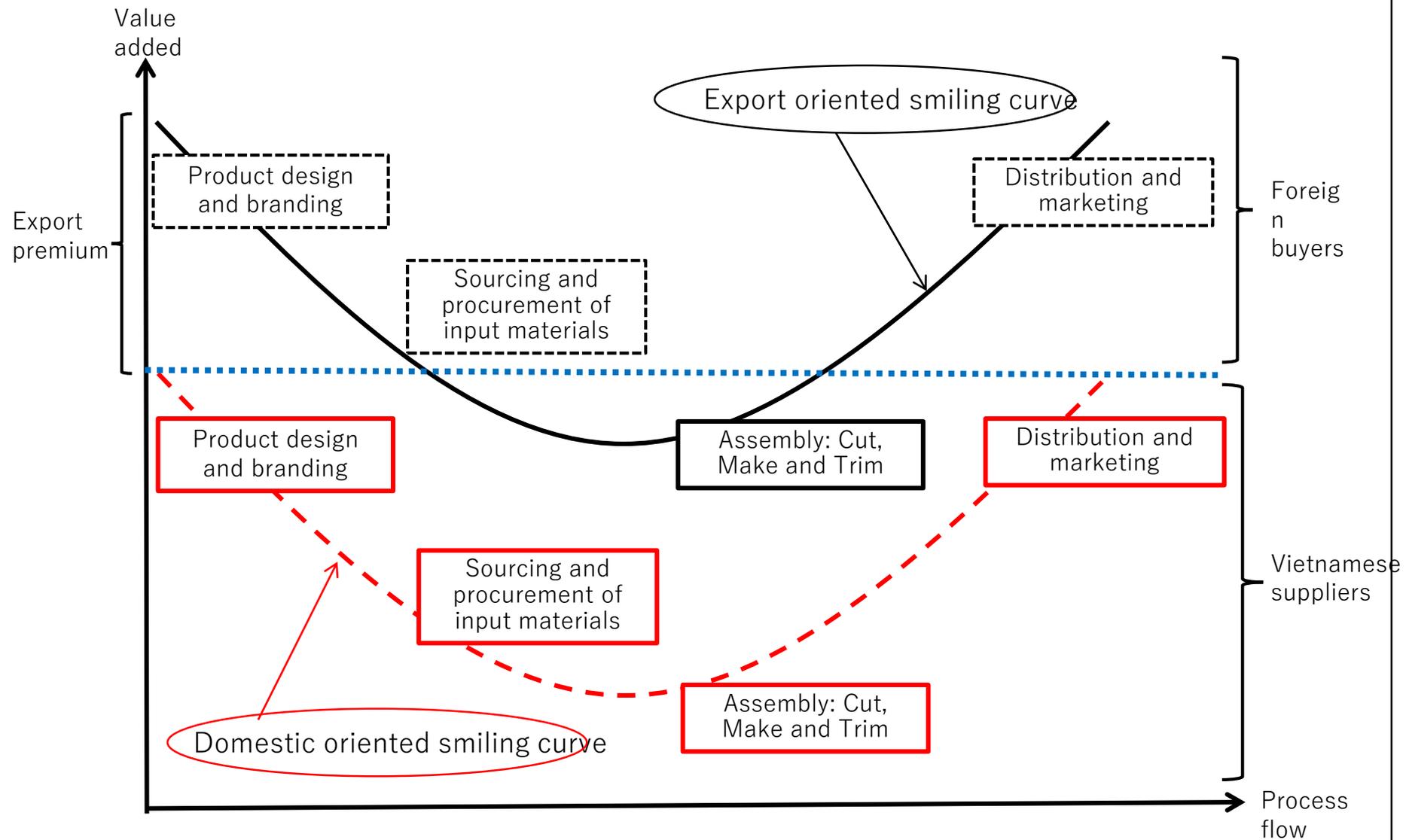
The way forward 1 (continued): The institutional dimensions and policy support

- The lack of knowledge of foreign markets is a critical hindrance to consistent exports (than knowledge of production technology) (Artopoulos et al., 2013)
- Institutional quality (setting), such as the time needed for customs procedures and logistics services strongly affect export volumes (Nordas et al., 2013; Itakura, 2013)
- Coordinate efforts of export promotion agencies (Volpe-Martincus 2008 and 2010; Lederman et al., 2010)
 - Provision of information materials such as pamphlets positively affecting export engagement (Durmusoglu et al., 2012)
 - Trade shows also positive (Wilkinson et al., 2006)
- Export subsidies and grants – mixed, as it was positive for firms to expand exports, **but not** for non-exporters to engage with exporting (Gorg et al., 2008): key is whether local companies are competitive and/or have absorptive capacity

The way forward 2 (for future considerations): functional upgrading

- Japanese market not necessarily a “destination”
- New relationships with advanced countries – royalty based, license businesses
- Functional upgrading from CMT – FOB (ODM) – OBM most viable in local and regional markets
- The role of FDI to develop backward-linkages

Figure 4.4 The garment smiling curve: functional hierarchy in the garment production-distribution flow



Source: Goto, 2014

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