

Foreign ownership and innovation performance - Application of the CDM model to the Vietnamese manufacturing sector

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Abstract:

This study investigates the impact of foreign ownership on innovation input, innovation output and labour productivity performance in the Vietnamese manufacturing sector. We employ a rich panel dataset of 7,090 Vietnamese manufacturing firms over the scale from 2010 to 2013 and a modified Crepon, Duguet&Mairesse (CDM) model in the estimation. The results show that: (1) Compared with the private domestic firms, foreign-owned firms tend to be less active in innovative decisions and pursuing innovative investment but are more efficient in terms of innovation output and labour productivity; (2) Foreign firms focus their innovation activities in developing innovation new to the market through investment in internal innovation activities and using the foreign licensing technology or equipment, while private domestic firms proved to be dependent mostly on the collaboration with other firms; (3) Foreign firms are efficient in labour productivity if they are operating in a concentrated market. The empirical results suggests that government policies should be oriented toward not only promoting the engagement of foreign firms in innovation activities, but also toward building opportunities for more extensive linkage in cooperating R&D of private firms. The cooperation network seems to bring important incentives for private firms in Vietnam during the process of innovation.

Keywords: Foreign ownership, innovation performance, labour productivity, CDM model, manufacturing sector, Viet Nam

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