

Western European LPS Under the
Pressure of Low-cost Economies and
ICT
Looking for a Relocation Theory

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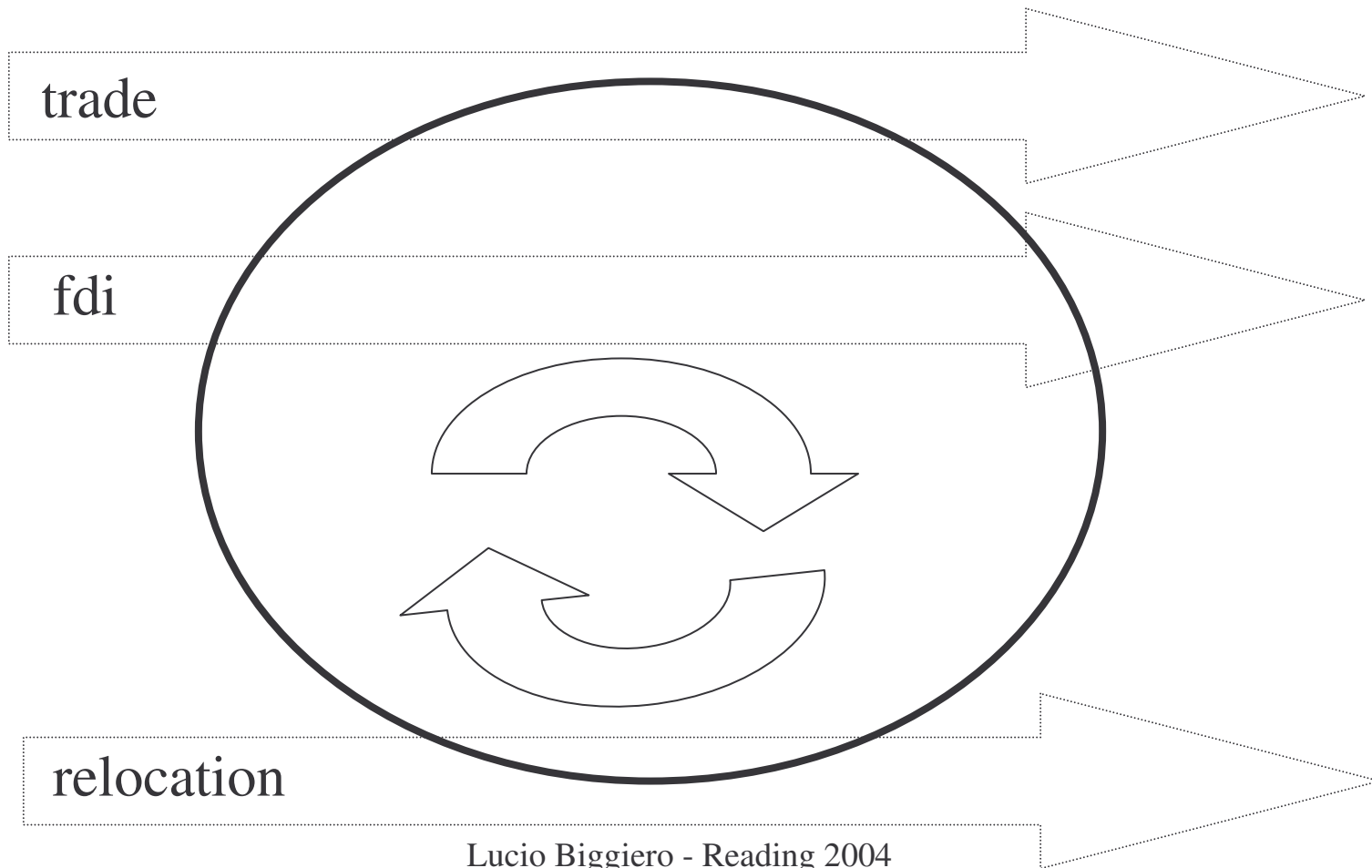
Main changes in Western European LPS

- Transfers within Western European countries cost or innovation driven
- Competitive pressure from low cost economies: East Europe and Asia (China, India, Singapore, South Korea)
- Advantages of proximity and local networking reduced by ICT

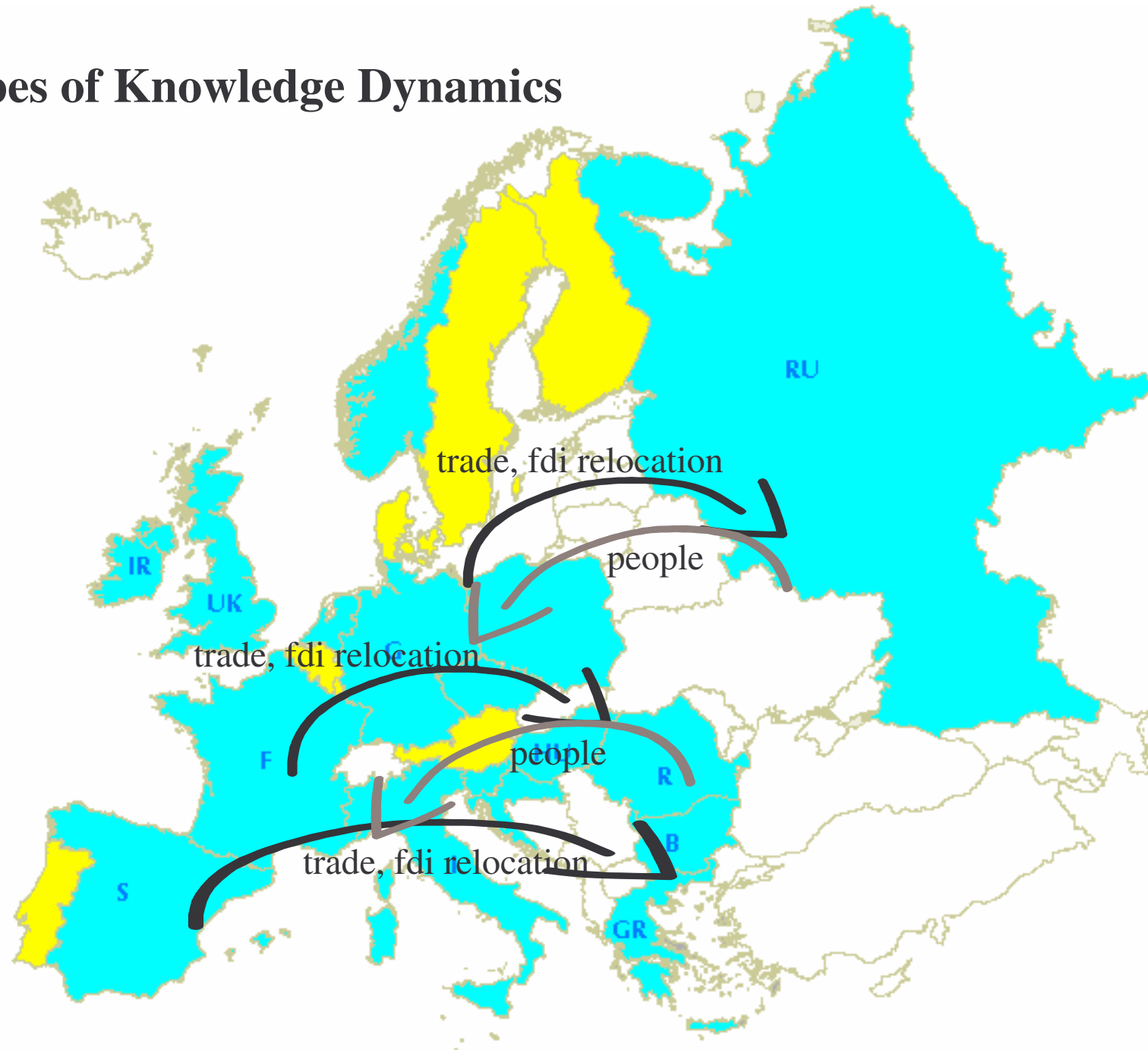
General view

- Stronger pressure on low-tech or mature industries
- **Common effect: relocation and non-local networking**
- Focus on relationships between Western and Eastern European countries
- Which consequences on knowledge transfer?

LPS Knowledge Dynamics



Types of Knowledge Dynamics



Main questions

- Who does relocate?
- From/to which type of LPS?
- What is relocated?
- In which type of industries?
- Through which type of entry mode?
- What does happen to source countries?
- What does happen to destination countries?
- What can be replicated?

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- Are there models of relocation?
- Are there models of international knowledge transfer?
- Can FtF be effectively replaced by CMC
- Which effects ICT has on the advantages of physical proximity?
- Policy issues and implications

Who does relocate?

- Large companies, either MNC or not
- SMEs, either isolated or networked in SBN or in LPS
- Different actors do make decisions in these different types of firms

Which types of LPS?

- ID, IC, urban systems, rural systems, science parks, etc... and further
- Which type of ID? canonical, evolutionary, agglomerative, satellite, science based
- Which evolutionary phase? Emerging, consolidated, repositioning, declining
- H1: competition from low-cost economies and ICT impact differently on different types of LPS

What is relocated?

- The whole firm
- Phases of the production cycle
- Phases of the filiere
- Industrial services
- In which type of industry? Low- or high-tech, recent or mature business
- H2: competition from low-cost economies and ICT impact differently on different types of industries

What does happen to destination countries/sites?

- Which peculiarities of **demic (human embodied) KT**? In genetics of populations this is more stable, slower and effective than cultural diffusion, which in our matter means mostly training, trade (artefacts) and stored knowledge.
- Does it hold also for our matter?

What can be replicated?

- Contents (products, services)?
- Specific types of LPS?
- Just evolutionary patterns?
- Replicability means always local adaptation
- Could replicability take place without relocation?
- The issue of **triggering**

What does happen to source countries/sites?

- Sharp reduction of the population of firms
- Changes in the structure of the population of firms: mix of producers, subfornitures, assemblers, traders, upstream firms, downstream firms
- Decrease of employment
- Complete disappearance or “condensed” LPS holding added value phases?

Are there “good” models of relocation?

- **Type 1**: relocation within developed countries/regions (EU, US, J). It never stopped; **now** it is often and mostly independent on labour costs and dependent on skill and/or logistic requirements; it is mostly on large scale or high-tech industries; it can be made by all types of firms

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- **Type 2:** relocation to developing countries (East Europe, Asia):
- A) large scale or high-tech firms go to the most advanced among developing countries, like SL, PL, CZ, LT, ET, TU. This type is rather stable and oriented to networking
- B) small scale or low-tech firms go to less advanced countries, like RU, HU, BU, Moldavia (UKR is between A and B)

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- Smaller and less stable FDI
- Little efforts for local networking
- Most sensitive to Asian competition
- These countries are not enough developed to be attractive for relocation Type 2A and not enough poor to compete with China and India.
- At least at an early stage, their entry into EU could “squeeze” them between more advanced and poorer countries.

What “good” does mean

- Non-focused only on MNC
- Considering also LPS
- Considering KT and especially human embodied knowledge
- Considering also socio-psychological and cognitive aspects
- Considering managerial, institutional, and socio-cultural aspects
- Of course non-neoclassical

The influence of ICT

- Recent empirical evidence suggests that:
 - 1. Instead of substitution of traditional means (FtF, phone, etc.), CMC has a reconfiguration (sometimes reinforcing) effect
 - 2. Almost all Italian ID (especially low-tech ones) are late in adopting CMC and Internet
 - 3. Technological Imperative approaches don't work: the role and impact of ICT depend mostly on the social context

Policy issues and implications

- Should relocation be supported/promoted?
- **Policies in source countries** should deal with: 1) social and economic problems of unemployment; 2) economic and managerial problems of change in size and structure of the population of firms

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- **Policies in destination countries** should:
 - 1. Strengthening local integration and networking of entering firms/entrepreneurs
 - 2. Enhancing collective learning
 - 3. Building local identity and developing indentification processes
 - 4. Supporting administrative and financial requirements