

The World Bank Tokyo Office and JICA  
online seminar (December 3, 2021)

*At Your Service?*  
*The Promise of Services-Led Development*  
Comments

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# General appreciation

- This is a very important book, following a former book titled *Trouble in the Making: the Future of Manufacturing-Led Development*.
- From the East Asian experience, we know a development path from low-income to upper-middle income by participating in international production networks or the second unbundling.
  - However, digital technology may erode the foundation by altering the basic structure of international division of labor.
- It is important to explore the possibility of service-led development scenario.
  - For countries lagging behind in manufacturing-led development.
  - For countries, already in upper-middle income, but facing difficulty in the last step toward high income.

# Reconsidering services in development

- Conventional model: manufacturing-led
  - However, not all LMICs seem to be capable of doing it: “premature de-industrialization.”
  - Digital technology may change the relevance.
- Service-led development possible?
- Traditional image of services
  - Low productivity, less innovative, absorption of redundant informal labor, domestic, ..
- However, business model innovation and digital technology may be changing the perspective for the possibility of service-led development.

# Summary: manufacturing vs. services in LMICs

- Productivity (scale, innovation, spillovers/linkage) and jobs: dichotomy?
- Services subsectors [Chapter 1]
  - Global innovator services (e.g., ICT, finance, professional services)
  - Low-skill tradable services (e.g., transportation, accommodation)
  - Skill-intensive social services (e.g., health, education)
  - Low-skill domestic services (e.g., retail, personal services)
- Evidences from firm-level data: 8 stylized facts [Chapter 2]
- 3 technology-driven trends: reduced proximity, greater automatability, rising intangible capital intensity [Chapter 3]
- Growth opportunities in services (servicification, services exports, upstream enabler and downstream complement) [Chapter 4]
- Policy implications: trade, technology, training, targeting (4Ts) [Chapter 5]
- Conclusion: services-led development [Chapter 6]

# Q1: Can development go without manufacturing?

- The answer is probably yes from the context of the book claiming that services can develop without manufacturing.
- However, can we really be confident in going only with services?
  - Productivity and jobs in four categories of services?
  - Magnitude of export potential for earning enough foreign currencies?
  - The pace of intangible capital accumulation?
  - Politically sustainable inclusiveness?

## Q2: What could be the advantage of East Asia with manufacturing?

- As the book claims, upstream/downstream linkages with manufacturing are indeed important.
- However, manufacturing and skill-intensive services/digital businesses do not seem to connect well.
  - Manufacturing activities, dominated by multinationals, are placed just as a part of their networks.
  - Skill-intensive services and digital businesses are active in technology deployment, but not working with manufacturing much.
- How can we utilize manufacturing beyond this point?

# Q3: What must be innovation strategies in LMICs?

- Manufacturing is based on incremental (gradual) innovation, low-risk, low-return, R&D in the long-run perspective.
- Digital businesses and digitalized/digitalizing services are typically with disruptive innovation, high-risk, high-return, technology deployment rather than R&D.
- How should innovation strategies shift from the old model of expensive national innovation system applied in Northeast Asia?