

Prairie View International Business Digest

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THE INTERNATIONAL DIFFUSION OF TECHNOLOGICAL KNOWLEDGE

– DR. LAWRENCE MCNEIL , ASSISTANT PROFESSOR OF ECONOMICS

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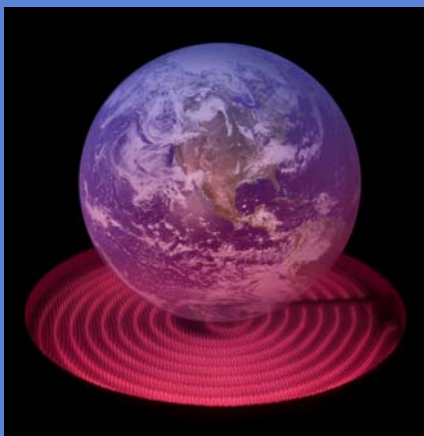
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The pioneers of new growth theory, Grossman and Helpman (1991), emphasized that increased trade between countries can lead to increased flows of technological information from foreign R&D (Research & Development)-intensive countries (performers) to countries who perform relatively less R&D (nonperformers). In effect, domestic nonperformers who import tradable goods automatically acquire the embodied technological knowledge from foreign performers. Therefore, as a result of the globalization of national economies and the technological connectivity of international businesses, a country's economic growth can be dependent upon domestic, as well as foreign, R&D investment. When investment in R&D occurs in one country, and a portion of the subsequent benefits of that investment accrue to other countries, those benefits are termed *international R&D spillovers*.

The benefit of acquiring R&D spillovers for developing countries is that spillovers lead to improved efficiency of existing factors of production as well as positively contributing to the domestic innovation process. Particularly in the manufacturing sector, which is considered the modernization leader for developing countries due to the relatively high amount of capital inputs utilized, R&D spillovers can lead to increased levels of productivity, lower production costs, and ultimately stimulate output growth.

Research exploring linkages between domestic economic growth and international R&D spillovers has abundantly grown over the past 15 years, largely as a result of improved modeling techniques and the increasing availability of micro-level data sources. Much of the research has turned towards investigating the specific industries and sectors impacted by R&D spillovers within developing economies. My recent study (McNeil 2008) contributes to this body of literature by measuring the level of R&D spillovers transmitted via international trade from nine OECD countries to 10 developing countries. Since 1986, the nine OECD countries in my study have comprised over 75 percent of global R&D expenditures. For purposes of brevity, I will provide the two most important findings that emerged from the research.

My primary finding was that foreign R&D had a varied impact on the domestic productivity of developing countries. This impact was significantly positive if foreign R&D was imported into developing country manufacturing sectors that were more capital and labor productive. Second, I found that developing countries with relatively higher innovative capabilities more effectively utilized foreign R&D, indicating that host countries benefit more from foreign R&D when they reach a minimum level of infrastructural and technological development. (*Continued on page 2.*)





Dr. Rahim Quazi
Editor

Editor's Note

Greetings. It gives us immense pleasure to present to you the 18th issue of the *Prairie View International Business Digest*, an electronic quarterly newsletter produced by the Center for International Business Education at Prairie View A&M University.

This issue contains four sections. The first section, contributed by Dr. Lawrence McNeil, discusses the significance of international diffusion of technological knowledge, and particularly the important role such diffusion plays in the growth dynamics of developing nations. The second section (*Texas Exports Surge*) presents statistics to show that Texas exports have surged in recent months. The third section, contributed by Dr. Gin Chong, briefly discusses a recently organized presentation on the opportunities and challenges businesses owners are likely to face in 2009. The final section briefly summarizes some recent international business news.

We hope you continue to find this e-newsletter a valuable channel for important information relating to international business. We do hope our efforts will inspire greater number of local firms to seek out new opportunities in international business. Should you have any questions or suggestions, please feel free to contact us. We would also like to hear from you on the content of future issues of this newsletter. Thank you for your support.

Sincerely,

A handwritten signature in black ink, appearing to be 'Rahim Quazi', written over a light blue background.

Rahim Quazi, Ph.D.
Editor, *Prairie View International Business Digest*

THE INTERNATIONAL DIFFUSION OF TECHNOLOGICAL KNOWLEDGE

(Continued from page 1.)


In today's complex world, the problem of successfully adapting to the enormous level of information and capital flows that define the global economy is one that many nations face. The success of technological knowledge diffusing to developing countries hinges on whether the transfer of such knowledge results in innovative processes being implemented domestically. Fortunately, a robust literature exists that provides trade- and industry-oriented policymakers in developing nations with a framework for considering how to effectively integrate foreign technological knowledge into their domestic production structure. Given the linkages between trade-based R&D spillovers and productivity growth, such considerations and the appropriate policy responses will likely result in a better understanding of how developing countries' incomes might eventually converge with the incomes of rich countries.

Grossman, Gene and Elhanan Helpman, 1991. *Innovation and Growth in the Global Economy*. MIT Press: Cambridge, MA.

McNeil, Lawrence, 2008. "The International Diffusion of Technological Knowledge: Industry-Level Evidence from Ten Developing Economies." Doctoral Dissertation. Howard University, Department of Economics.

BUSINESS OPPORTUNITIES AND CHALLENGES FOR BUSINESSES OWNERS IN 2009

– DR. GIN CHONG, ASSOCIATE PROFESSOR OF ACCOUNTING

On December 10, 2008, the Vietnamese American Chamber of Commerce of Houston organized a business presentation by Dr. Martin Bressler, Professor of Marketing & Entrepreneurship and Department Chair for Management and International Business at Houston Baptist University. The presentation was attended by more than fifty business leaders. The topic of the presentation was business opportunities and challenges for businesses owners in 2009. Despite the current economic downturn, Dr. Bressler remains optimistic that U.S. businesses, in particular those in Houston, will regain momentum before the end of 2009. This is due to vast resources, including oil and gas, human resources and facilities, and close trade relationships with Canada and Mexico through NAFTA. 



Dr. Gin Chong
Associate Professor


TEXAS EXPORTS SURGE

(SOURCE: *SOUTHWEST ECONOMY*, FEDERAL RESERVE BANK OF DALLAS, ISSUE 4 & 5, 2008.)

Texas exports jumped more than 7 percent in the first five months of 2008 and 5 percent in the second quarter. Year-over-year, Texas exports are up almost 14 percent. This surge was mostly due to a falling dollar, a strong energy industry, and a record year for agriculture. Over the summer, however, the dollar has strengthened against the currencies of Texas' major trading partners, energy prices have tumbled, and the global economic crisis has weakened foreign economies, which will likely slow Texas' export growth.

There was a modest growth in second quarter sales to the European Union, Canada and Mexico, which represent 54 percent of Texas exports. Exports of soybean and corn to Europe jumped, possibly to aid the production of biofuels, and there was also a surge in exports of petroleum and coal products to Mexico, which registered a 60% increase.

Texas exports to Latin America (excluding Mexico) were up by 24 percent in the first quarter and 17 percent in the second quarter, driven primarily by increased sales of petroleum and chemical products. Chemical products were the top Texas export to Latin America, comprising about 42 percent of sales to Brazil and 35 percent to Venezuela and Colombia. In the first quarter, the Brazilian, Chilean and Colombian currencies had gained double-digit against the U.S. dollar, which helped boost Texas exports.

Texas' export growth to China had slowed to about 5 percent in the first quarter and 8 percent in the second quarter. Higher demand for staple grains and infrastructure-related materials ahead of the Beijing Summer Olympics contributed to higher sales of Texas products in China. In the second quarter, there were modest to huge increases in shipments of computer and electronic products, chemicals and agricultural products. A managed float of the Chinese currency (yuan) against the U.S. dollar has prevented the Chinese currency from appreciating enough to generate the level of high demand for American goods as seen in Europe and Latin America. 

INTERNATIONAL BUSINESS NEWS

(Source: *Export News*, U.S. Export Assistance Center, Houston.)

First Annual International Harris County Trade & Transportation Conference January 11-13, 2009

This 2-day conference will focus on Mexico and southern border trade.
Registration information is available at: <http://www.harriscountyevents.net>.



CS Houston Business Service Directory

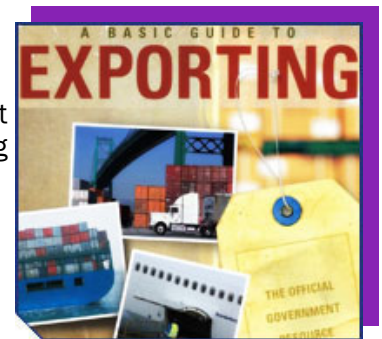
Marketing products and services to local businesses as well as foreign companies is made easy by subscribing to the CS Houston *Business Service Provider Directory*. Member company profiles are seen by U.S. exporters, international buyers, and clients of the U.S. Commercial Service. Cost: \$300 for small business (less than 500 employees). Details are available at:

<http://www.buyusa.gov/houston/houstonbsp.html>.

A Basic Guide to Exporting

The guide is a step-by-step manual that covers topics including how to identify best overseas markets and financing options and how to create a website for selling goods to international buyers.

Ordering information is available at: <http://www.export.gov/basicguide>.



Sending Samples to Mexico?

How to send samples to Mexico? What qualifies as a sample? Is there a special process under NAFTA procedures for sending samples? Answers to these and more questions are available at: <http://www.buyusa.gov/arkansas/mexsamples.pdf>.

Free Resources at Export.Gov

Many useful resources for exporters are available at this website:
<http://www.export.gov> (look on the right side box for links).

- Learn About Export Basics
- Find Country Information
- Find Tariff Rates
- Learn to Benefit from FTAs
- Promote My Products Overseas
- Fill out NAFTA Certificate
- Learn About REACH
- Find CE Mark Information
- View Webinars
- File a Trade Complaint
- Protect My IPR



PVAMU College of Business Vision and Mission Statements



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If you would like to receive an electronic version of this newsletter, please contact Dr. Rahim Quazi in the College of Business at 936-261-9225 or rmquazi@pvamu.edu

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