Available online at www.sciencedirect.com
ScienceDirect
Procedia - Social and Behavioral Sciences 213 (2015) 236 – 240
Procedia
Social and Behavioral Sciences

20th International Scientific Conference Economics and Management - 2015 (ICEM-2015)

Estimation of newly emerging economies' low-tech export impact on Lithuanian low-tech export growth

Jurate Pridotkiene[a,]*, Vitalija Venckuviene[b], Daiva Laskiene[c]

[a, b, c] *Kaunas University of Technology, K.Donelaicio 73, Kaunas LT 44249, Lithuania*

Abstract

In recent decades most of advanced economies suffered enhanced competitive pressure from newly emerging economies (NEE). Especially it concerns low-tech sector, where the direction of international labour divisions has changed because of increasing globalization processes. Eventually newly emerging economies became the drivers for the global economic growth. Developing economies beyond the BRICS, such as Viet Nam, Bangladesh, Pakistan, Turkey, Mexico and others compete with each other and with BRICS in the field of FDI inflow attraction and manufacture development, at the same time gaining even greater weight in global competition.

The paper tries to answer the question to what extent export of Lithuanian low-tech is dependent and was impacted by the export of NEEs to the same export markets. To answer the question correlation and regression analysis was employed. The results of correlation-regression analysis showed that to some extent there is a relation between Lithuanian and NEEs low-tech export to the same destination markets.

Peer-review under responsibility of Kaunas University of Technology, School of Economics and Business

Keywords: Low-tech; Export; Lithuania; Newly emerging economies; Industry competitiveness.

Introduction

In recent decades advanced economies faced enhanced competitive pressure from newly emerging economies (hereinafter NEE) sometimes indicated as emerging markets (EM). Though it is true for all industries, especially it concerns low-tech sector, where the direction of the international labour division from high to low cost countries has dramatically shifted because of increasing globalization processes. Eventually newly emerging economies became

* Corresponding author. Tel.: +370-612-17870.
E-mail address:jurate.pridotkiene@ktu.lt

Peer-review under responsibility of Kaunas University of Technology, School of Economics and Business
doi:10.1016/j.sbspro.2015.11.531

important players for the economic situation in the world. China, Argentina, Brazil, India, Indonesia, South Africa eventually became the most important NEEs, while the Russian Federation's influence decreased substantially. Palley (2011) concluded several interesting points concerning emerging markets growth: *„1) (...) the export-led growth paradigm is exhausted because of changed conditions in both EM and developed economies"; 2) export-led growth (...) will not deliver success for them and it will further impede the task of economic recovery in the developed countries; 3) there is need for a major recalibration of the global economy that abandons export-led growth and replaces it with a new paradigm of domestic demand-led growth"*.

Other potentially emerging economies like Turkey, Viet Nam, Mexico, Pakistan, Bangladesh, and others compete with each other and with BRICS streaming to attract more FDI, at the same time gaining even greater pace of industrial development and weight in global competition. For instance Hanson (2012) stated that *"led by China and India, the share of developing economies in global exports more than doubled between 1994 and 2008. One feature of new trade patterns is greater South-South trade"* (Hanson, 2012). Whilst Zhang (2015) argues *"(…) (a) FDI is a key driver of China's export success; (b) China's absorptive capacity reinforces the effects of FDI through domestic learning efforts; (c) FDI seems to contribute more to export capacity than export upgrading, especially in labor-intensive/low-tech products; and (d) high-tech FDI from the western world seems to be more conducive to export upgrading than low-tech FDI from developing economies"*. However, Kilavuz and Topcu (2012) panel research of 22 countries have revealed that growth was affected positively by investment and export of high-tech manufacturing industry. Meanwhile the effect of high-tech import on the growth seemed to be negative and significant (Kilavuz and Topcu, 2012).

The competition in global market seems to be changing the pace. Some research has indicated the shift in global market in terms of rivalry focusing on the emerging African countries (Habiyaremye and Tarik, 2014). However, Hidalgo (2013) also emphasizes the need of structural reforms such as liberalization of labour regulations and diminishes barriers to trade and FDI. Razmi (2006) has investigated the competition in export markets for manufactured goods focusing on the crowding out effects. The results have indicated that crowding out effects became significant in 1990s. Edwards and Jenkins (2014) study found that South African exports of manufactured products to Sub-Saharan Africa have been negatively affected by Chinese competition. It was estimated that in 2010 South African exports to the region was lower by 20% because of the crowding-out effect; the effect mostly manifested in medium- and low-tech exports.

Despite of many attempts to research the emerging economies growth phenomena, the little efforts were done to investigate the effects of emerging countries on the small and open economies. To some extent it will be outlined in the present paper specifically focusing on the competition in the main Lithuanian low tech sector's export markets.

Therefore we addressed our attention and set the main purpose of the research to the estimation of the extent of low-tech export from newly emerging economies (NEE) to the main Lithuanian low-tech export destination markets (mainly EU) and if it has direct impact to the export growth of Lithuanian low-tech sector.

The impact is assessed by performing correlation-regression analysis of Lithuanian low-tech export data and NEE export of the same products to the same export markets, which are mainly the EU-15 markets. The regression analysis was used at aiming to forecast the Lithuanian export growth to the European countries based on the values of NEE export growth estimates.

1. Research data and methods

The research data was obtained from UN Comtrade database of international trade yearly indicators for the period 2000-2012. SITS Rev.2 classification was used to sample products that are assigned as low-tech industries (Table 1). The reporting countries from UN Comtrade were selected according to the competition they make to Lithuanian low-tech exports in the main export markets (the latter being selected as partner countries). Consequently, the data was gathered from annual export volumes of low-cost countries (reporting countries) to the main Lithuanian low-tech export markets. Two low-cost countries exporting low-tech products to the EU, namely Bangladesh and Nepal, were skipped from the list, as there were too much missing values for the annual data.

The time-series research design, more specifically correlation and multiple regression procedures, were chosen due to explore the association between the growth of Lithuanian export (LT_exp) and NEEs export indicators