Firms' Local Discoveries and technological relatedness: the role of foreign knowledge

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Venue: Seminar Room, Department of Economics and Management
Speaker: Alessia Lo Turco – Università Politecnica delle Marche

Abstract
We explore the role of intra- and extra-regional product-specific capabilities in fostering the introduction of local discoveries, that is new products never produced before in the region, by firms active in the Turkish manufacturing sector. We find that local discoveries are positively and significantly affected by external related knowledge spurring from foreign firms active in the same location as well as by firm internal capabilities. Technologically related intraregional knowledge and extra-regional knowledge spilling from imported production do not play a relevant role. The former, however, matters when we extend the analysis to all firms’ newly introduced products, regardless of their previous presence in the regional production basket.

We interpret this evidence as foreign affiliates bringing new and exclusive capabilities which are missing in the region where they locate, thus providing a stimulus for regional production diversification and upgrading. This hypothesis is validated by exploring the heterogeneous impact of the different intra- and extra-regional knowledge sources according to the product complexity.