R&D Offshoring: Development Dimension

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Debates

- Effects of R&D Offshoring

- Determinants of R&D Offshoring

MNC: North & South Markets

- Max $\Pi = \Pi_N(R_N) + \Pi_S(R_S)$

  R_N, R_S

  $$\text{subject to} \quad w_N R_N + w_S R_S = \bar{R}$$

- F.O.C. $\quad \dfrac{\Pi_N'}{w_N} = \dfrac{\Pi_S'}{w_S}$

- Assume $\quad \Pi_N(R_N) = A_N \sqrt{R_N} \quad$ and $\quad \Pi_S(R_S) = A_S \sqrt{R_S}$

- Optimal Ratio $\quad \dfrac{R_N}{R_S} = \left(\dfrac{w_S}{w_N} \right) \left(\dfrac{A_N}{A_S} \right)$

Development Perspectives

- Impact of Offshore R&D on Southern Economic Development

- Induced Changes in Southern Institutions
  - Intellectual Property Rights
  - Case of China & India

- Feedback on Northern Innovation
  - Expansion in $\bar{R}$