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 \( \Pi = \Pi_N(R_N) + \Pi_S(R_S) \)
- \( R_N, R_S \)
- Subject to \( w_N R_N + w_S R_S = R \)
- F.O.C. \( \frac{\Pi_N'}{w_N} = \frac{\Pi_S'}{w_S} \)
- Assume \( \Pi_N(R_N) = A_N \sqrt{R_N} \) and \( \Pi_S(R_S) = A_S \sqrt{R_S} \)
- Optimal Ratio \( \frac{R_N}{R_S} = \left( \frac{w_S}{w_N} \right) \left( \frac{A_N}{A_S} \right) \)
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 $\bar{R}$