



advancing sustainable global trade

Climbing up global value chains: Leveraging FDI for economic development

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A unique opportunity for Asia

Challenges:

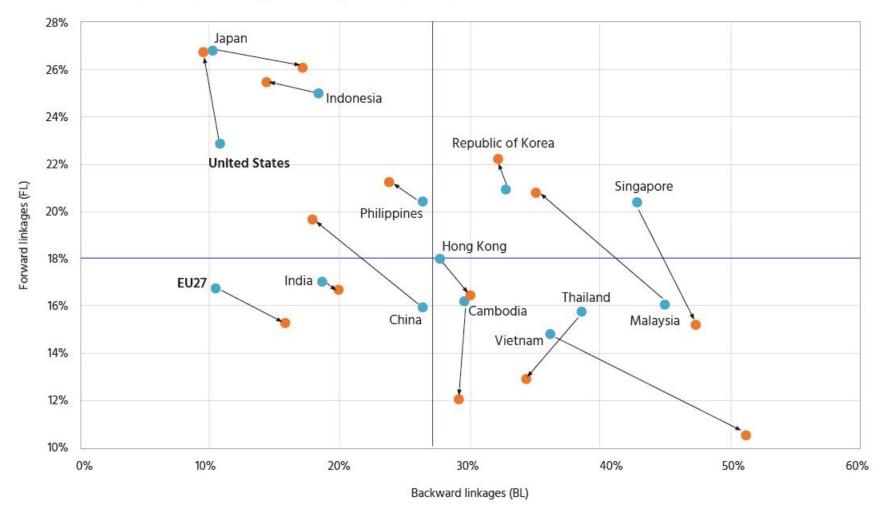
- Stagnation of global FDI flows since 2009
- Geopolitical fragmentation, reshoring / deglobalisation
- Climate change and digital transition

Opportunities:

- Analyse the link between global economic integration and sustainable development shaped by evidencebased policies
- Apply GVC sensitive policies, key for sustainable development
- Unique window of opportunity in terms of 'politically viable' policy tools AND financial resources
- But also calls for re-nationalisation and localism
- Risk of vicious circle

Multiple pathways and opportunities in Asia

Backward and forward linkages changes – all industries, 2005 to 2018



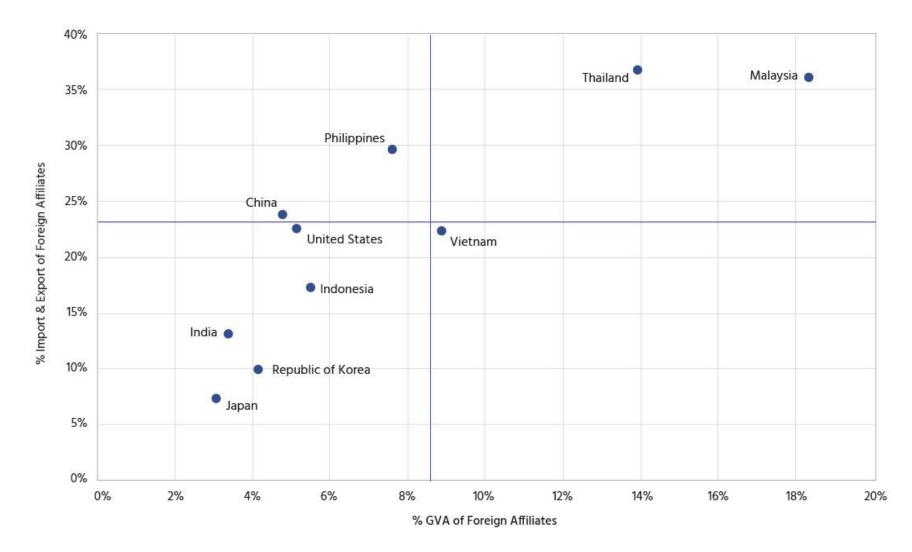
BL & FL Value in 2005 BL & FL Values in 2018

Source: Author's elaboration based on OECD data.

Note: Average values (blue lines) are for all the countries in the chart (Asian economies, EU27 and US). The blue dots show the values in 2005; the orange dots in 2018; arrow highlights the direction of the change between the two periods.

The Lead Firm: the role of FDI

Foreign affiliates – GVA, export, and import – all industries, 2015

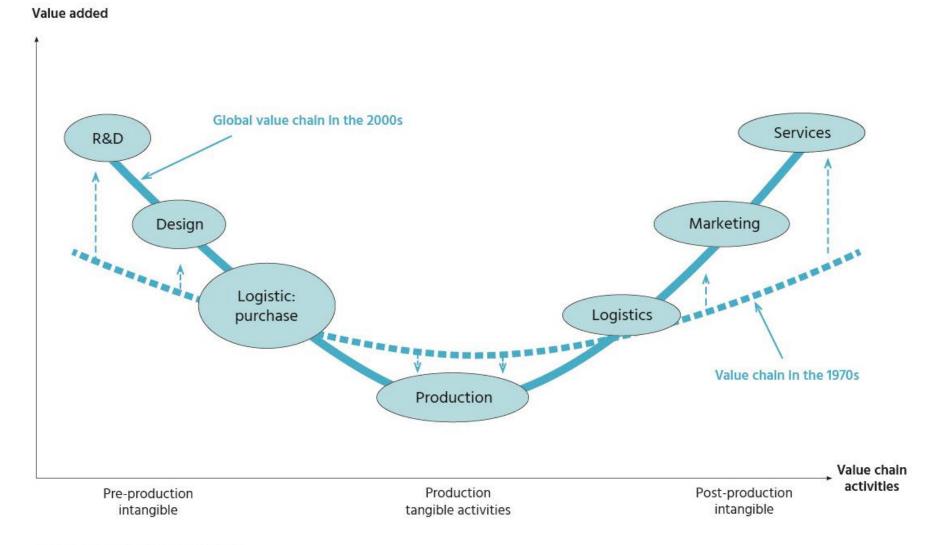


Source: Author's own elaboration based on Analytical AMNE database

Note: Average values (blue lines) are for the countries in the chart. Hong Kong (GVA: 50%; IMP+EXP:68%) and Singapore (50%;74%) are excluded from the chart and from the averages (blue lines) as outliers.

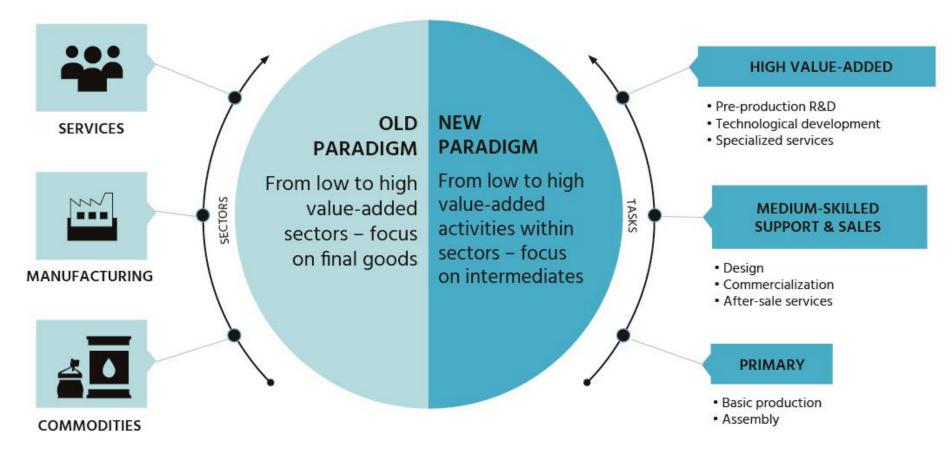
Upgrading for development

The smiling curve of value added



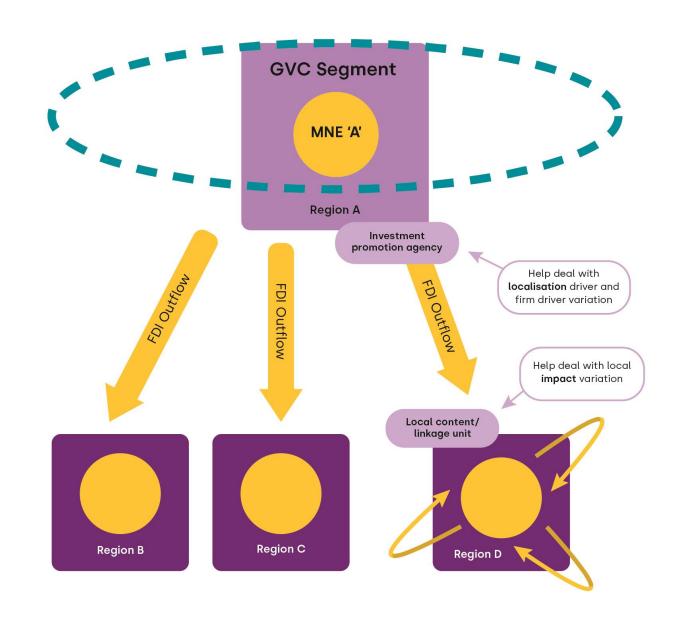
Upgrading for development

The new paradigm: value-added sectors to value-added tasks



Source: Taglioni, D. and D. Winkler (2016). Making global value chains work for development, The World Bank.

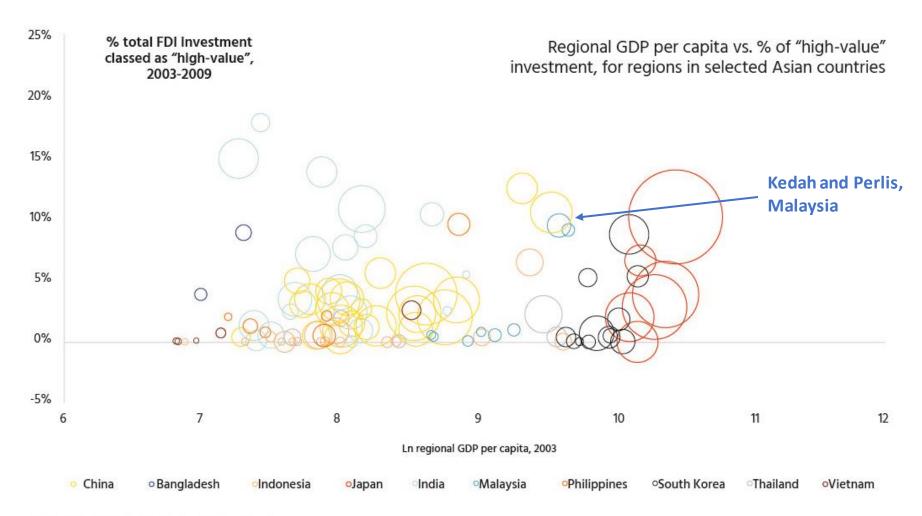
FDI and upgrading on the ground (1)



Source: Crescenzi R. & Harman O. "Harnessing Global Value Chains for Regional Development", Taylor & Francis, in press, 2022

FDI and upgrading on the ground (2)

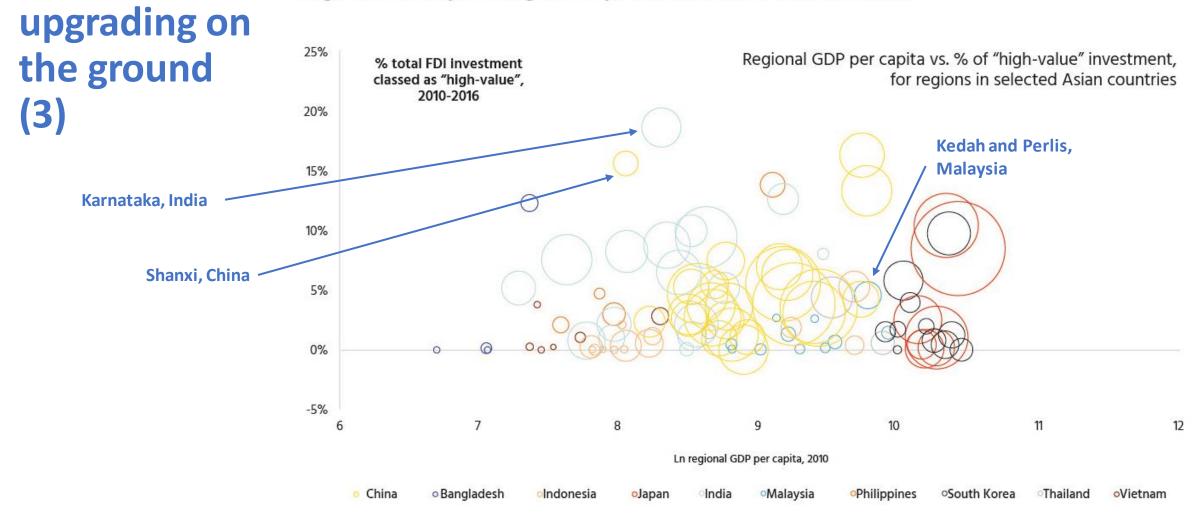
High-value FDI (GVC stages 1 & 2), 2003 to 2009, % total FDI value



Source: Author's own elaboration based on fDiMarkets data.

Note: High Value Added FDI Projects = GVC stage of FDI Project is either 1 or 2 (HQ / R&D) in previous table Regions receiving under \$500M total FDI between 2003 and 2009 (inclusive) are excluded

High-value FDI (GVC stages 1 & 2), 2010 to 2016, % total FDI value



Source: Author's own elaboration based on fDiMarkets data.

FDI and

Note: High Value Added FDI Projects = GVC stage of FDI Project is either 1 or 2 (HQ / R&D) in previous table Regions receiving under \$500M total FDI between 2003 and 2009 (inclusive) are excluded

GVC sensitive policies

The GVC sensitive smile curve

Value added Trading Connecting Skills Infrastructure Knowledge People & Ideas Bespoke MNE Highly localised Via F2F contact demanded and domestic connectivity (tacit) R&D transferred knowledge Service Information (Spatial & cognitive (e.g. HSR, urban public (intangible) transport) proximity) Knowledge People (Geographical Specific MNE driven Domestic (codifiable) & Digital proximity) training programmes, connectivity (e.g. ICT, Marketing Information management telecommunications) Design (intangible) development Materials & Products Skills and training, Cross-border Goods connectivity (e.g. (tangible) (Geographical Learning at work, Logistic: Human capital proximity) customs, ports, Logistic purchase development logistics) Materials & products Goods Education, standards Domestic connectivity (tangible) (Transport proximity) & Infrastructure (e.g. training Energy, transport, Production water etc.) Pre-Production Postproduction (tangible) production Source: Author's own elaboration

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The GVC sensitive smile curve

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Value chain activities

Source: Author's own elaboration

Thinking GVCsensitive

You may download the report <u>here</u>.

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Thank you!

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