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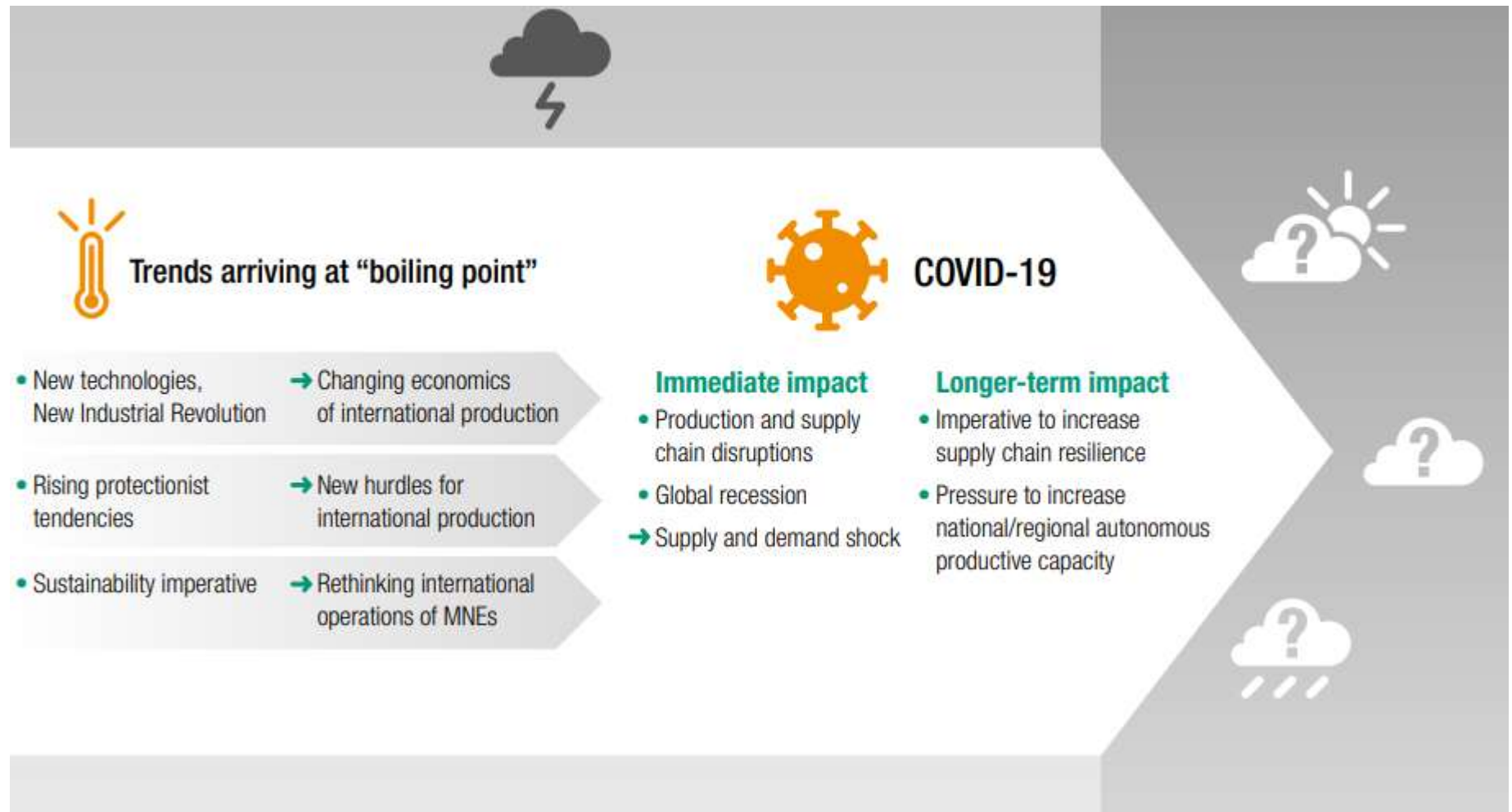
World Investment Report

INTERNATIONAL PRODUCTION AND GVCs BEYOND THE PANDEMIC

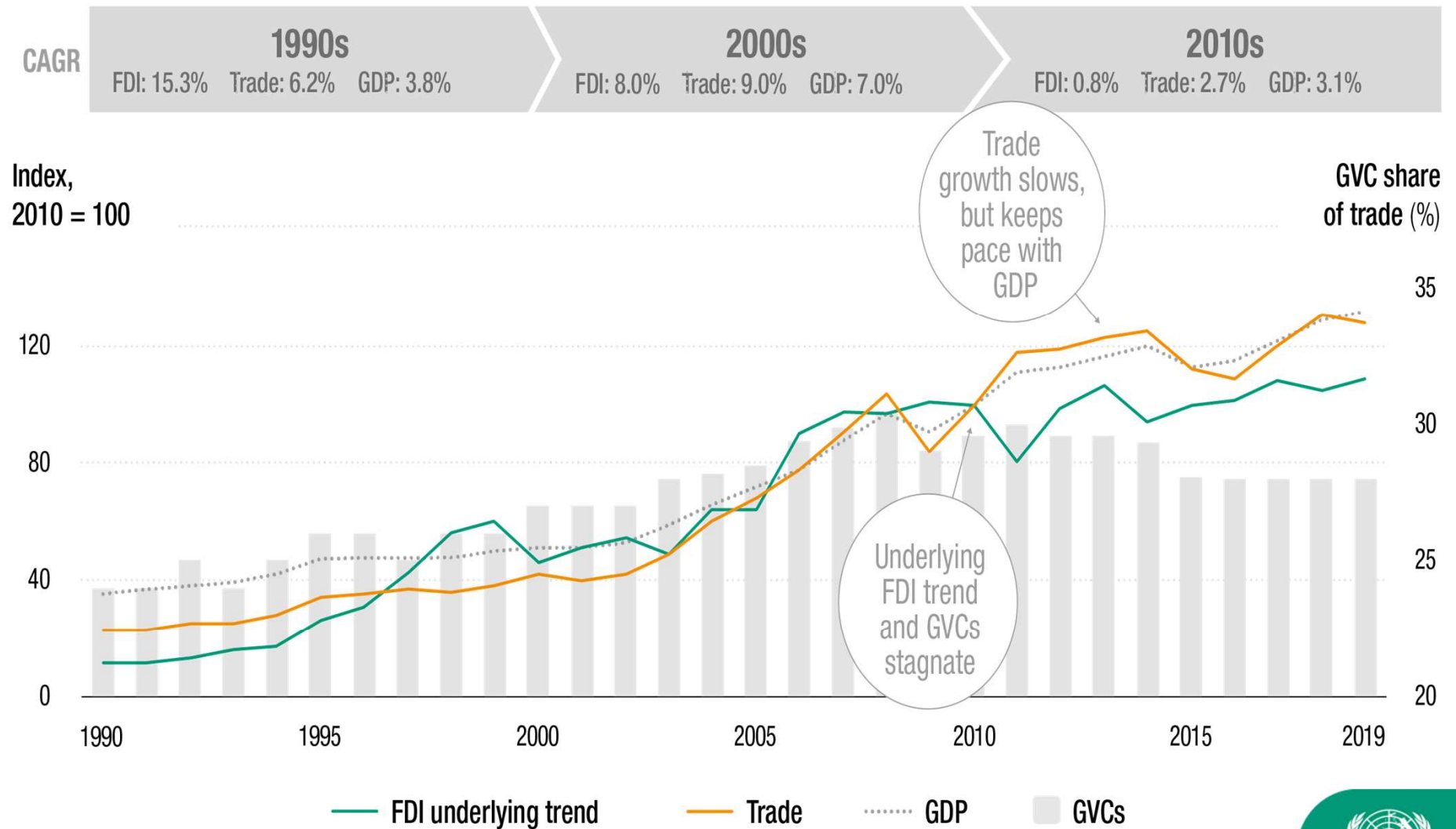
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Webinar UNESCWA-UNCTAD,
COVID19 and Trade

The pandemic has arrived on top of existing trends that were reaching their boiling point at the start of the decade



Since the 1990s, international production has seen two decades of growth followed by one of stagnation



The four trajectories have different implications for investment...

Reshoring



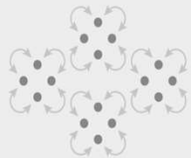
- Possible shock of restructuring, including divestment, relocation; investment diversion
- Shrinking pool of efficiency-seeking FDI
- Need to re-industrialize or cope with (premature) de-industrialization
- Access to and upgrading along the GVC development ladder becomes more difficult

Diversification



- Broader opportunity to participate in GVCs, but loosely governed, platform-based and asset-light
- Acceleration of the shift to intangibles and services-based GVCs
- Concentration of value, value capture in host countries becomes more difficult
- Quality of hard and soft digital infrastructure drives GVC participation

Regionalization



- Shift from global efficiency-seeking investment to regional market-seeking investment
- Shift from investment in dispersed vertical GVC segments to investment in broader industrial bases and clusters
- Nearshoring replicates restructuring effects of reshoring (but softens others)
- Regional economic cooperation, industrial policy and investment promotion indispensable to build regional value chains

Replication































- Shift from investment in large-scale industrial activity to small-scale distributed manufacturing
- Local manufacturing base and producer services a prerequisite to attract final stages of GVCs
- Increased outsourcing to local producers and service providers, value capture and technology dissemination not guaranteed
- Greater need for cost-effective physical supporting infrastructure and quality digital infrastructure (hard and soft)

...varying relevance across industries

○ Not relevant ● Highly relevant

Reshoring Diversification Regionalization Replication

Primary		Extractive industries, agro-based				
Manufacturing						
GVC-intensive industries		High technology intensity				
		Medium-low technology intensity				
Geographically distributed industries		Regional processing				
		Global hub and spokes				
Services						
Distributed, lower value added		Wholesale and retail trade, transportation and logistics				
Concentrated, higher value added		Financial services, business services				

Implications for development: climbing the GVC-development ladder in times of Covid

Export/GVC focus

GVC development stages

RESOURCE-BASED

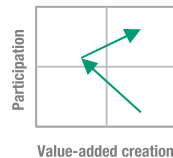
LOW-TECH
MANUF; BASIC
SERVICES

MID-LEVEL
MANUF AND
SERVICES

SOPHISTICATED
MANUF AND
SERVICES

KNOWLEDGE-BASED
SERVICES

ii Upgrading



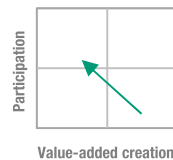
Challenges

- Impact of restructuring and reshoring; divestment
- More limited value capture based on vertical specialization

New opportunities

- Industrial capabilities and **clustering**
- **Service offshoring**
- Value capture through **customization**
- **SDG-related** activities; **green and blue economy**

i Integrating



Challenges

- Shrinking pool of efficiency seeking investment; tougher competition for FDI
- Manufacturing commodification

New opportunities

- Access to **regional value chains**
- **Diversification** of supply base
- **Market segmentation**
- **Digital bottom-up access** to GVCs



BACKUP

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These existing megatrends can be grouped into three broad categories

Trends

Technology/ New Industrial Revolution

- Advanced robotics and AI
- Digitalization in the supply chain
- Additive manufacturing (3D printing)

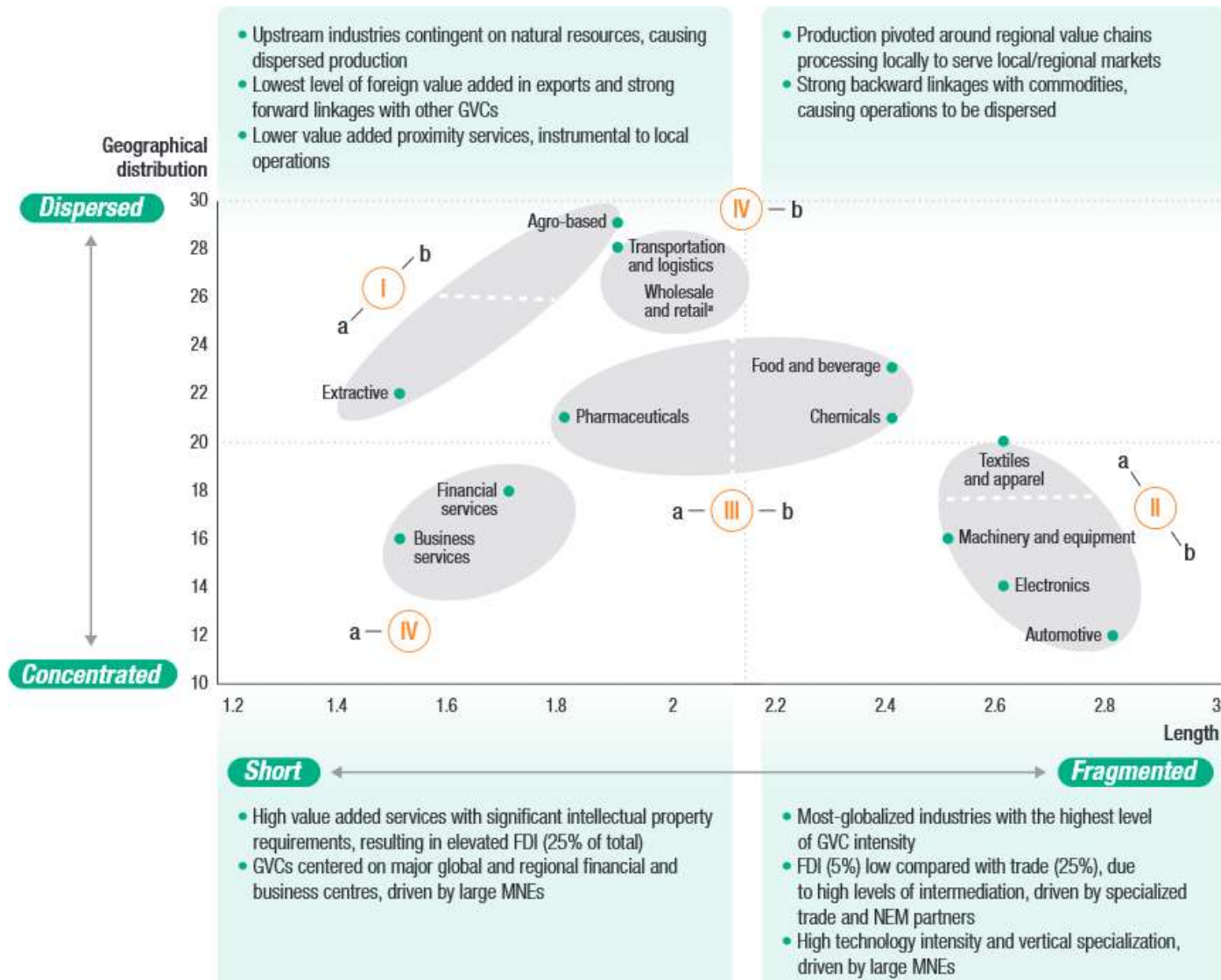
Policy and economic governance

- More interventionism in national policies
- More protectionism in trade and investment
- More regional, bilateral and ad hoc economic cooperation

Sustainability

- Sustainability policies and regulations
- Market-driven changes in products and processes
- Physical supply chain impacts

Length and geographical distribution of international production can be grouped across key archetypes



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For further information on the work on foreign direct investment and multinational enterprises, please address inquiries to:

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