

How Local Spillovers and Competitiveness Shape Global Value Chains for the Better

Global value chains (GVCs) have become a vital aspect of the modern economy, enabling countries and businesses to participate in international trade and boost competitiveness. GVCs refer to the interconnected sequence of activities involved in the production and distribution of goods and services across different countries.

In recent years, there has been growing interest in understanding the local spillover effects of GVCs, as these effects can significantly impact the competitiveness of regions and industries. Local spillovers refer to the transmission of knowledge, technology, and skills from foreign firms to domestic firms through various channels, such as production networks, supply chains, and labor mobility.

The Benefits of Local Spillovers

Local spillovers can have numerous positive effects on the competitiveness of regions and industries. Here are some of the key benefits:



Making Foreign Direct Investment Work for Sub-Saharan Africa: Local Spillovers and Competitiveness in Global Value Chains (Directions in Development)

by Thomas Farole (Illustrated Edition, Kindle Edition)

★★★★★ 5 out of 5

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File size : 6154 KB
Text-to-Speech : Enabled
Screen Reader : Supported

Enhanced typesetting : Enabled
Word Wise : Enabled
Print length : 298 pages



Knowledge Transfer: Local spillovers facilitate the transfer of knowledge and technological know-how from foreign firms to domestic firms. This transfer of knowledge can lead to increased productivity, innovation, and improved product quality among domestic firms.

Skill Enhancement: Exposure to foreign firms and their work practices can help enhance the skills and capabilities of local workers. This skill enhancement can empower the local workforce and contribute to the development of a skilled labor pool, strengthening the overall competitiveness of the region.

Technological Upgradation: Local spillovers often result in the adoption of advanced technologies and practices by domestic firms. This leads to the upgrading of production processes, greater efficiency, and the adoption of best practices, making the local firms more competitive in the global market.

Access to New Markets: Participation in GVCs allows domestic firms to gain access to new and larger markets. Through their involvement in the global production networks, these firms can expand their customer base, diversify their export destinations, and explore new business opportunities.

Enhancing Competitiveness through Local Spillovers

For countries and regions to fully harness the benefits of local spillovers, it is crucial to adopt policies and strategies that promote their development. Here are some key directions to consider:

Investing in Education and Skill Development: Governments should prioritize investments in education and skill development programs to enhance the capabilities of the local workforce. By equipping workers with in-demand skills, regions can attract foreign firms and create an environment conducive to knowledge transfer.

Promoting Collaboration between Foreign and Domestic Firms: Encouraging collaboration and partnerships between foreign and domestic firms can facilitate knowledge exchange and technology transfer. Governments can provide incentives, such as tax breaks or subsidies, to promote such collaborations and foster a culture of innovation.

Creating Supportive Infrastructure: Developing supportive infrastructure, such as industrial parks, research and development centers, and technology hubs, can attract foreign firms and encourage the establishment of GVCs. This infrastructure can facilitate the exchange of ideas, promote collaboration, and create an ecosystem that fosters local spillovers.

Facilitating Access to Finance: Access to finance is crucial for domestic firms to invest in technological upgrades and innovation. Governments should ensure that financial institutions are providing adequate support to small and medium-sized enterprises (SMEs) to help them participate in GVCs and capitalize on local spillovers.

Understanding and harnessing the potential of local spillovers is essential for countries and regions aiming to boost their competitiveness in the global economy. By promoting knowledge transfer, skill enhancement, and technological upgradation, countries can create an environment that encourages the participation of domestic firms in GVCs. Through targeted policies and

investments, regions can leverage the benefits of local spillovers and position themselves as key players in the global value chains of the future.



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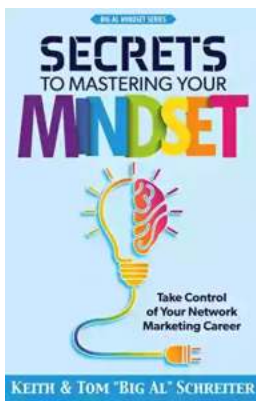


Foreign direct investment (FDI) is becoming increasingly critical to the economies of developing countries, in part due to a major expansion in the scope of global value chains (GVCs), whereby lead firms outsource parts of their production and services activities across complex international networks. While FDI delivers a number of important contributions in terms of investment, employment, and foreign exchange, it is its spillover potential the productivity gain resulting from the diffusion of knowledge and technology from foreign investors to local firms and workers that is perhaps the most valuable contribution to long run growth and development.

While substantial research has been undertaken on the existence and direction of spillovers from FDI, many questions remain. Moreover, there is a need to

understand better the dynamics of spillovers in certain contexts, including: i) in low income countries, especially in Sub-Saharan Africa; ii) outside of manufacturing sectors (especially resource-based sectors); and, iii) in the context of GVCs.

This book presents the results of a groundbreaking designed to address these issues drawing on detailed field research in eight countries (including five in Sub-Saharan Africa) over three sectors: agribusiness, apparel, and mining. The book presents a summary of the results of this analytical work and discusses their implications for policymakers hoping to harness the power of FDI for greater development outcomes.



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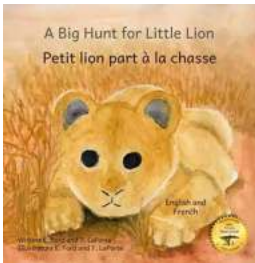
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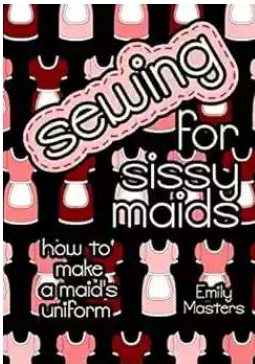
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