THE FUTURE OF GVCs, MANUFACTURING AND RESHORING: SOME INSIGHTS FROM RECENT OECD WORK

Koen De Backer

DIE Workshop on Industry 4.0, Bonn, 28 May 2018

BETTER POLICIES FOR BETTER LIVES

Future of GVCs (1)

Businesss as usual?

- Open trade and investment agreements
- ICT: Communication technologies
- New low-cost manufacturers
- Emerging middle class
- Development of services
- MNEs

A new normal?

- Changing cost conditions in emerging economies
- Hidden/extra costs of international fragmentation
- Balancing risk diversification and cost efficiency
- ICT: Information technologies
- From mass production to mass customisation
- The green and sustainability imperative

Future of GVCs (2)

- Structural contraction of GVCs towards 2030
  - Back to the level of 2005-2006
  - International sourcing/production down with > 1%
  - Trade/GDP down with > 4%
  - Decreasing length of GVCs

- Digitalisation of manufacturing (IT) is the biggest game changer

- Rebalancing of world economy
  - Regional centers of manufacturing
  - OECD and emerging economies

Robotics as part of Industry 4.0

- Strong investments in robotics
  - In recent years
  - OECD and emerging economies

- Robotics and the location of production
  - Slows down offshoring from OECD economies
  - In recent years and in more labour intensive industries
  - No effect on reshoring

- Robotics and trade quality

What about reshoring?

- Heavily discussed, hardly measured
- A lot of anecdotal evidence, aggregate evidence is much more limited
  - Capital investments vs employment
- Managing expectations?
  - Does not mean the end of offshoring
  - Employment impact? – Industry 4.0, robots, etc.
  - Specific policies – unfair competition?

The Future of Global Value Chains: Business as usual or A New Normal, OECD STI Policy Paper, 2017, No. 41. a

Industrial Robotics and the Global Organisation of Production, OECD STI Working Paper, 2018, No.3

Industrial Robotics and Product(ion) Quality, OECD STI Working Paper, forthcoming

Reshoring: Myth or Reality? OECD STI Policy Paper, 2016, No. 27.

koen.debacker@oecd.org

- Contact: STI.Contact@oecd.org
- Newsletter: www.oecd.org/sti/news.htm
- Website: www.oecd.org/sti
- Innovation Policy Platform: www.innovationpolicyplatform.org