Regional development in the global economy: a dynamic perspective of strategic coupling in global production networks

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Regional development in the global economy

Outline

- Introduction
- Strategic coupling: how can it work for regional development?
- Promoting strategic coupling: policy and practice
1. Introduction

Regions in global production networks (GPNs) and global value chains (GVCs)

- 80% of world trade organized through GPNs (UNCTAD’s *World Investment Report 2013*)

- GPNs and GVCs as “the world economy’s backbone and central nervous system” (World Bank, 2010)
FIGURE 8.6: Global production sharing

Global production sharing is the norm, not the exception

Source: FGI Supply Chain Study.
1. Introduction

“Strategic coupling”: connecting regional development to global economic change

- Strategic coupling as *interactive effects* of regional dynamics and GPN imperatives
- Dynamics of coupling, decoupling, and recoupling
- Promoting strategic coupling through regional policy and practice
2. Strategic coupling: how can it work for regional development?

What is strategic coupling?

- *territorial* dynamics at the regional scale: regional institutions and regional assets

- *network* dynamics at the global scale: competitive logics of seeking
  - cost efficiency
  - market access and development
  - financialization and capital gain
  - risk minimization
2. Strategic coupling: how can it work *for* regional development?

What is strategic coupling?

- GPN actors:
  - global lead firms and their market control through product and market definition;
  - strategic partners, suppliers, and other actors

- Strategic coupling of regions into GPNs: mutual complementarity and dynamic articulation
2. Strategic coupling: how can it work for regional development?

Dynamics of strategic coupling and regional development

- Coupling not a static equilibrium concept
- Evolutionary possibilities
  - coupling/articulation
  - decoupling/disarticulation
  - recoupling/re-articulation
FIGURE 15.5: Cross-border production sharing and production “networks”

Cross-border production sharing

The United States

Mexico

Production “networks”

Japan

Korea, Rep. of

Viet Nam

Chinese Taipei

The Philippines

The United States

Consumers

Unrelated firms with same firm nationality

Unrelated firms with different firm nationality

Agglomeration

2. Strategic coupling: how can it work for regional development?

Dynamics of strategic coupling and regional development

- Three modes of strategic coupling
  - international partnership: a functional coupling
  - indigenous innovation: an organic coupling
  - production platforms: a structural coupling
2. Strategic coupling: how can it work *for* regional development?

Changing modes of strategic coupling

- The “dark sides” of strategic coupling
  - strategic coupling but negative consequences
  - conflicting GPN and regional logics: cost efficiency vs. industrial upgrading

- Shifting dynamics of strategic coupling: disarticulations, with the possibility for re-articulation into different and more appropriate GPNs
Table 2. Potential negative consequences of strategic coupling in global production networks

<table>
<thead>
<tr>
<th>Ruptures</th>
<th>Within region</th>
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<tbody>
<tr>
<td>Between GPN and region</td>
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<tr>
<td>Disinvestment</td>
<td>Crowding out local firms</td>
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<td>Exit of foreign firms</td>
<td>Reduction or removal of local linkages</td>
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<td>More limited access to international markets</td>
<td>Political exclusion</td>
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<tr>
<td>Financial and other risks</td>
<td>Displacement and eviction</td>
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<td>Frictions</td>
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<td>Uneven value capture</td>
<td>Uneven resource allocation</td>
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<td>Leakage of intangible assets (technology and knowhow)</td>
<td>Social and class conflicts</td>
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<td>External path dependency and regional “lock-ins”</td>
<td>Gender inequality</td>
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<td>Labour exploitation</td>
<td>Environmental damages</td>
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<td>“Clash” of cultures</td>
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</tbody>
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Source: Expanded from Coe and Hess (2011: Figure 11.2, p.135).
2. Strategic coupling: how can it work for regional development?

Changing modes of strategic coupling

- The case of semiconductor industry in South Korea (Seoul region) and Taiwan (Taipei-Hsinchu)
  - 1960s-1970s: structural coupling and decoupling
  - 1980s-1990s: organic coupling through indigenous innovation and catching-up
  - 2000s and beyond: strategic recoupling through international partnership
3. Promoting strategic coupling: policy and practice

Cautions for policy makers and practitioners

- Changing modes of strategic coupling and their associated pitfalls: never a universal panacea or all-inclusive policy instrument

- Always a critical role for regional institutions and groups of actors to engage in joint decision and collective action
  - to mitigate “dark sides” of GPN coupling
  - to consider a more balanced and equitable form of regional development
3. Promoting strategic coupling: policy and practice

Cautions for policy makers and practitioners

- Mindful of regional variations in resource endowments and institutional repertories

- Role for sector-specific industrial policies in GPN-led regional development
3. Promoting strategic coupling: policy and practice

Key considerations in GPN-led regional development POLICY

- Moving from national industries to specialized niches of regions in GPNs
- Recognizing the need for detailed knowledge and analysis of regional prospects in different GPNs
- Promoting new domestic capacity and/or foreign investment in value-adding segments of GPNs in regional economies
3. Promoting strategic coupling: policy and practice

Key considerations in GPN-led regional development POLICY

- Developing global supply base through a combination of local and foreign firms
- Facilitating trade in production inputs and intermediate goods and services
- Leveraging GPNs for international market access and development of regional firms
3. Promoting strategic coupling: policy and practice

Key considerations in GPN-led regional development PRACTICE

- Engagement with transnational communities
- Ensuring policy credibility and institutional consistency
- Recognizing pragmatic choices and flexible pathways