

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

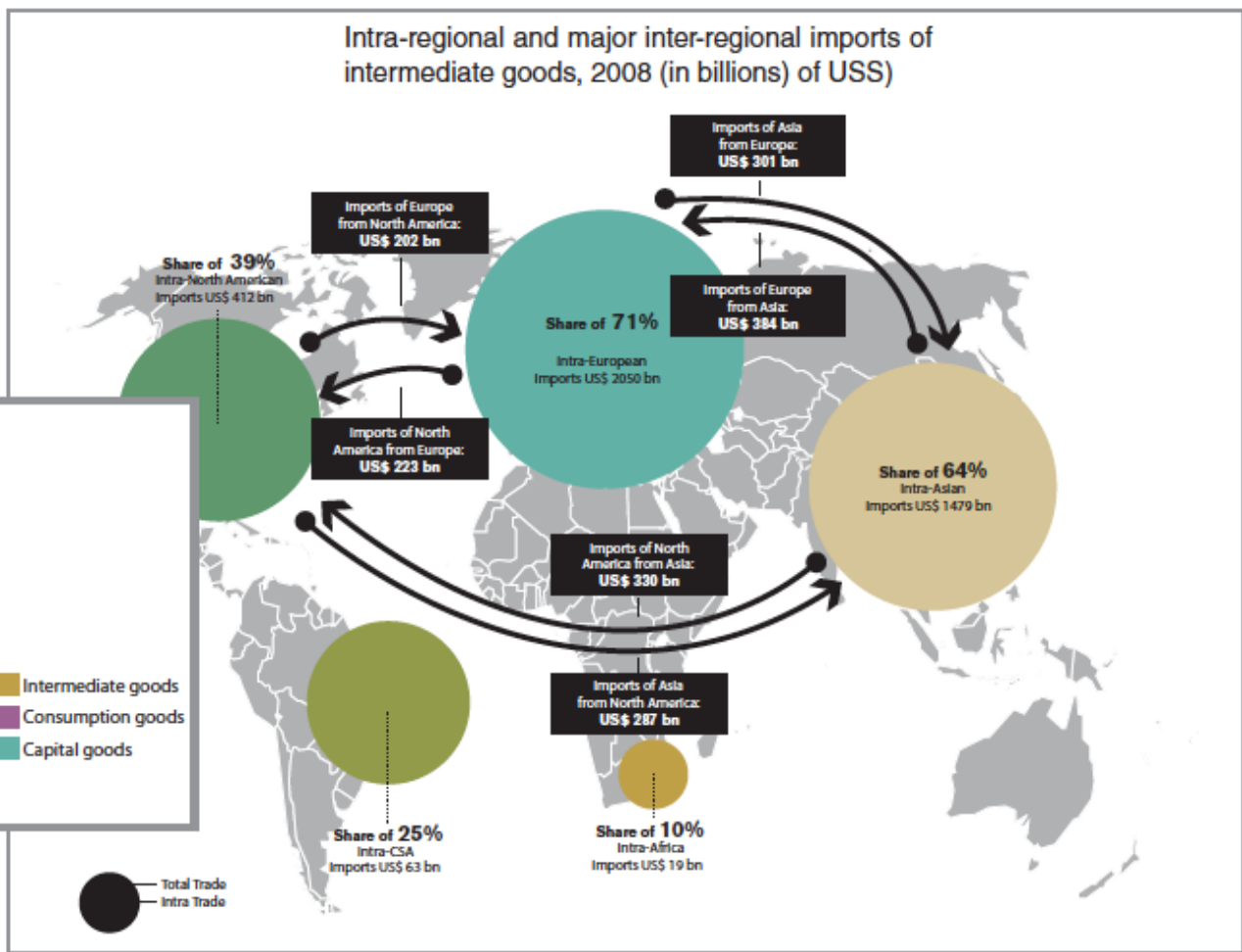
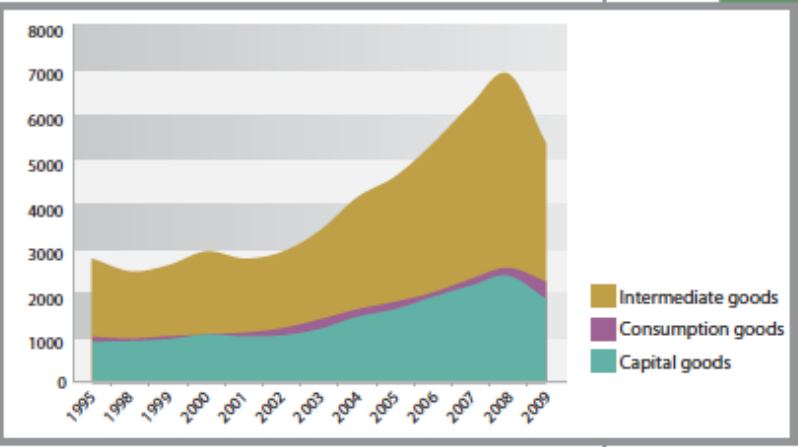
1. Introduction

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?

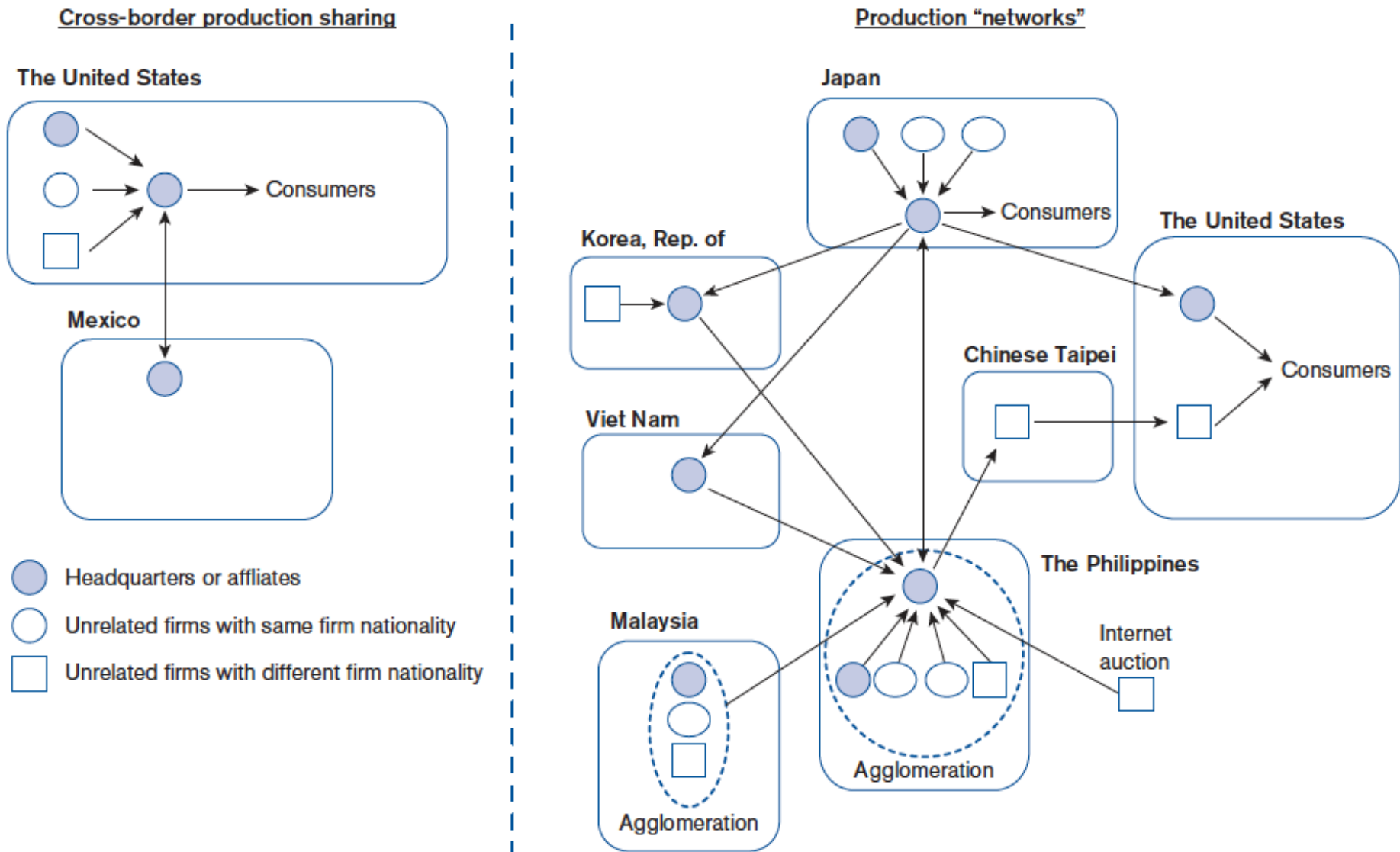
- ▶ GPN actors:
 - global lead firms and their market control through product and market definition;
 - strategic partners, suppliers, and other actors
- ▶ Strategic coupling of regions into GPNs: mutual complementarity and dynamic articulation

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”



Source: Ando and Kimura (2010).

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

	Between GPN and region	Within region
Ruptures	<ul style="list-style-type: none"> • Disinvestment • Exit of foreign firms • More limited access to international markets • Financial and other risks 	<ul style="list-style-type: none"> • Crowding out local firms • Reduction or removal of local linkages • Political exclusion • Displacement and eviction
Frictions	<ul style="list-style-type: none"> • Uneven value capture • Leakage of intangible assets (technology and knowhow) • External path dependency and regional “lock-ins” • Labour exploitation • “Clash” of cultures 	<ul style="list-style-type: none"> • Uneven resource allocation • Social and class conflicts • Gender inequality • Environmental damages

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 repertoires
- ▶ 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