

COVID-19: Impact on the Economy and Central Bank Policies
Virtual Conference co-organized by the Bank of Albania and the LSE
Thursday, 29 October 2020

Response to Covid-19: Internationalisation, Global Value Chains and FDI

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Covid-19 and global fragmentation

Acceleration of pre-existing trends: geo-political fragmentation, global re-organisation of value chains and technological change

New processes and challenges mostly linked with the consequences of social distancing and other public health measures

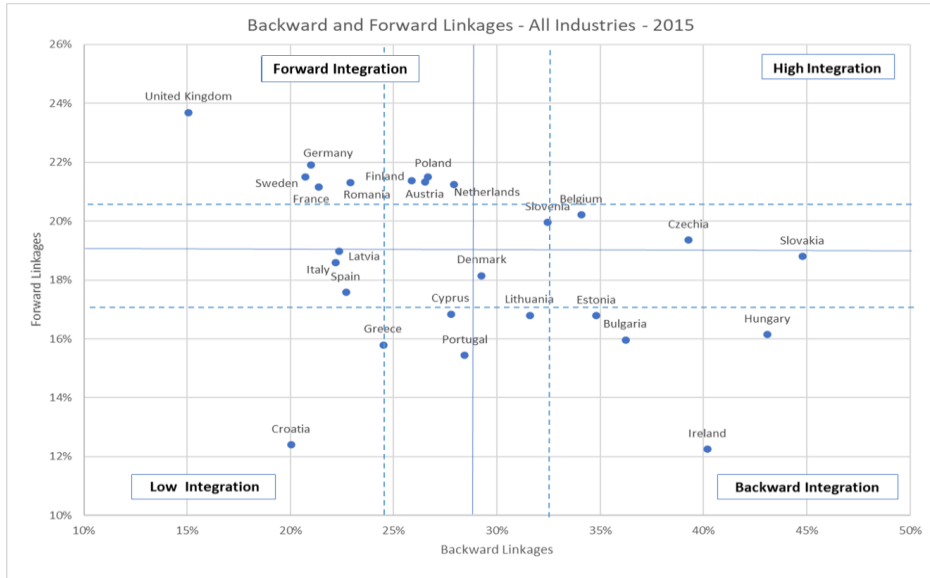
Global trade flows and GVCs relatively resilient. FDI already in decline before Covid

Unprecedented impact heterogeneity across sectors, GVC segments and regions within countries

Data still limited to capture more fundamental changes in the global division of labour and value added

Pre-Covid-19 data informative on challenges and response options linked with the 'international channel'

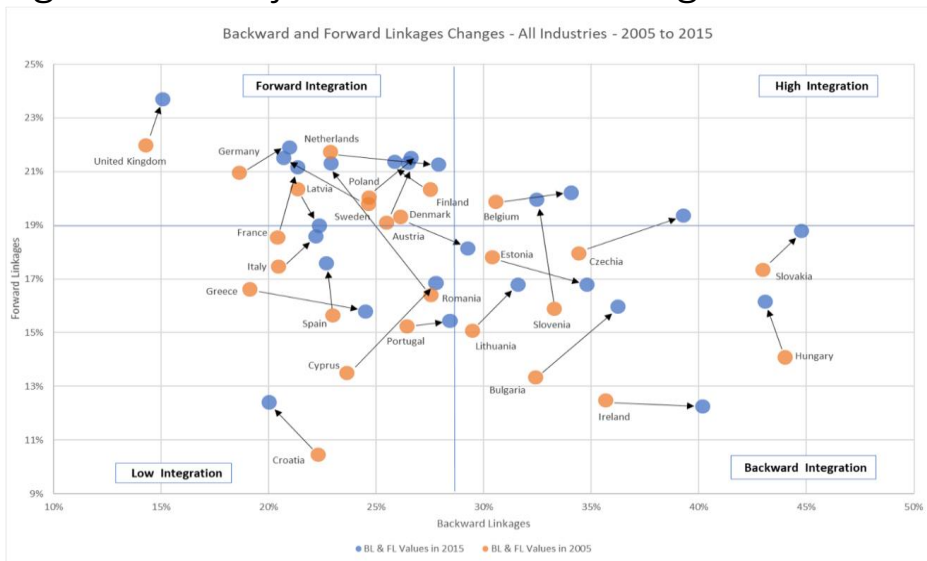
Heterogeneous 'models' of GVC integration in Europe



Note: Malta and Luxembourg are outliers and excluded from the chart and the EU average values (blue lines). The dashed blue lines identify the standard deviations from the EU average for backward and forward linkages.

Source: Comotti, Crescenzi and Iammarino 2020

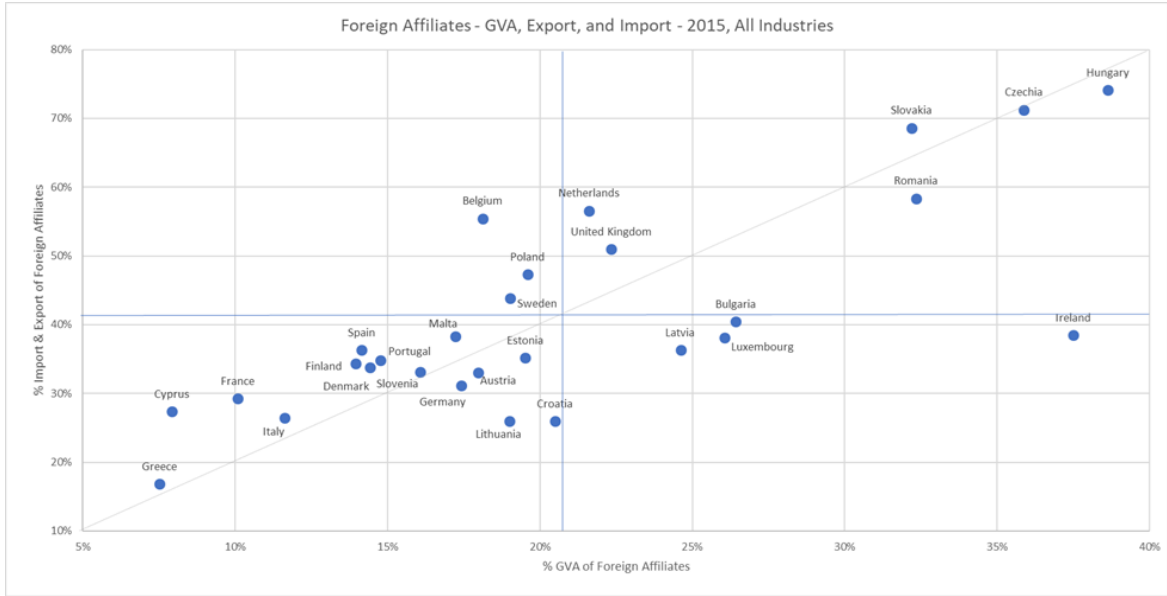
Heterogeneous 'trajectories' of GVC integration in Europe



Note: Malta and Luxembourg are outliers and excluded from the chart and the EU average values (blue lines). The orange dots show the values in 2005, the blue dots in 2015; arrow highlights the direction of change between the two periods.

Source: Comotti, Crescenzi and Iammarino 2020

Heterogeneous role of FDI in GVCs

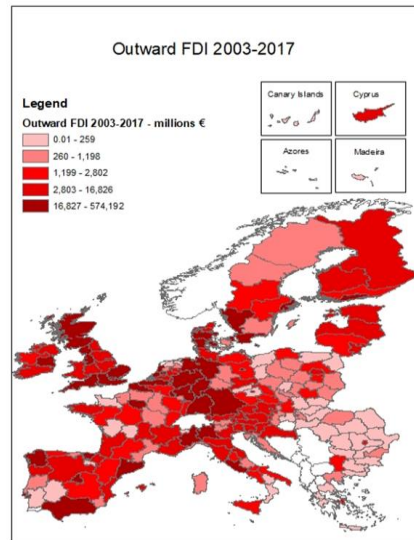
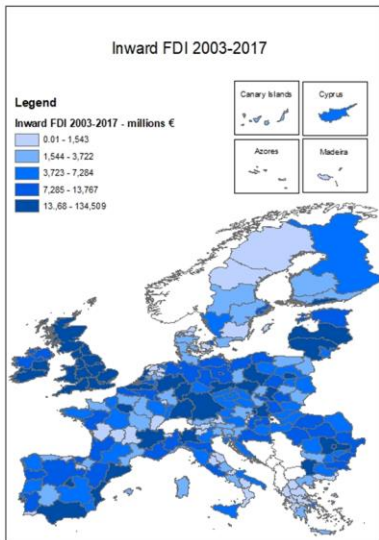


Source: Comotti, Crescenzi and Iammarino 2020

Note: Average values (blue lines) are for the EU28.

7

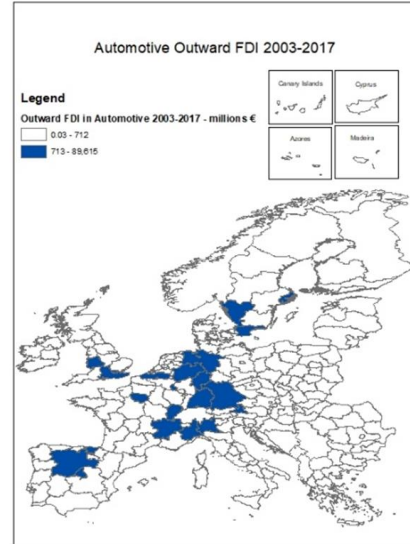
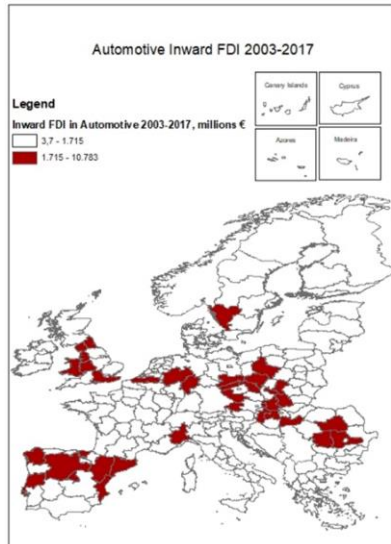
Heterogeneous Spatial Patterns (FDI)



Note: classes are quintiles of the distribution of cumulative FDI.

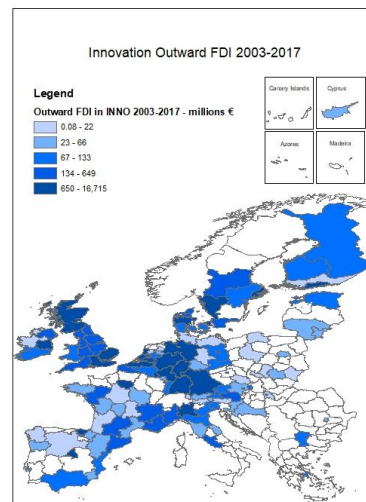
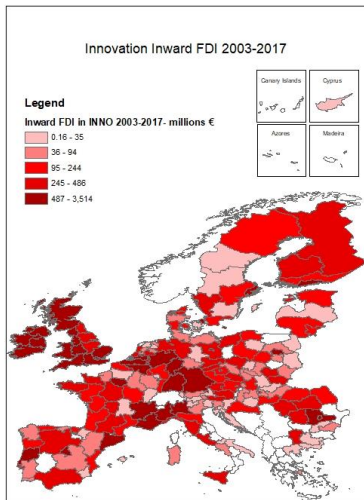
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Heterogeneous Spatial AND sectoral Patterns (FDI)



Note: in colours only NUTS in the first quintile of the distribution

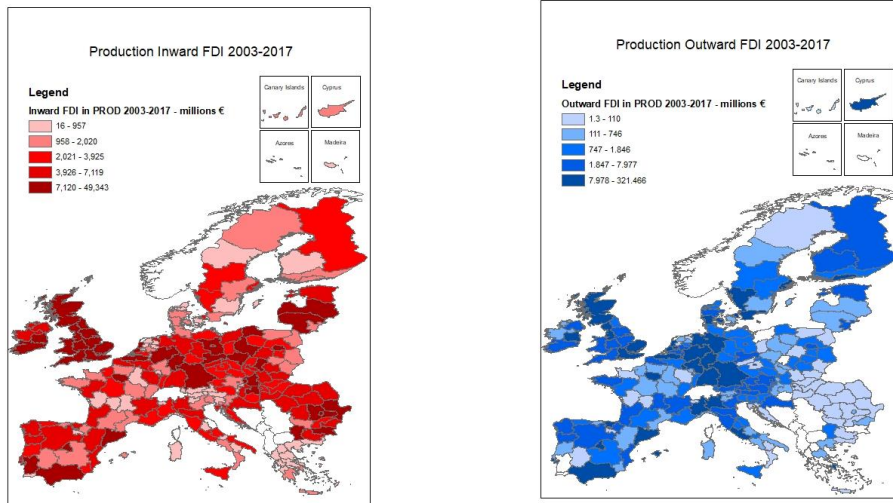
Heterogeneous spatial AND functional patterns (R&D)



Note: classes are quintiles of the distribution of cumulative FDI.

10

Heterogeneous spatial AND functional patterns (PRODUCTION)



Note: classes are quintiles of the distribution of cumulative FDI.

11

Conclusions

Heterogeneity in GVC integration patterns before Covid-19 suggests that understanding structure and evolution of GVC and FDI networks is central to future public policies

‘Recovery Plans’ across the globe focused on domestic activities and ‘bring back jobs’ much less on exploration and leveraging of new opportunities in specific sectors and/or segments of value chains

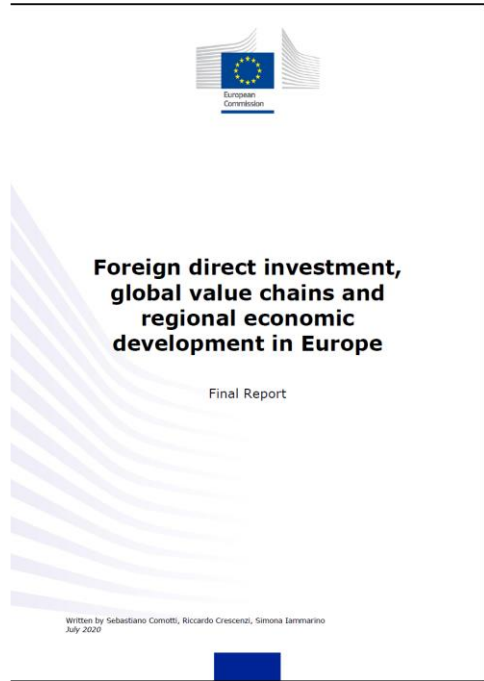
Reshaping GVCs and the Covid-19 economy:

Global opportunities and challenges requiring local responses: no one-size-fits-all policy

Inward & Outward Investment Promotion Agencies: Can account for heterogeneity and have flexibility to react and to change

Local Content & Linkages Units: GVCs and domestic eco-systems can be linked for long term long term embeddedness.

Public policies fundamentally call for solid evidence on ‘what works in practice’



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