

Regional Science Dialogues for Peace
and Sustainable Development
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Special Session Proposal

Sustainability Challenges in GVC-Dependent FDI Development Path: Assessing Regional Development within Global Production Networks

The session will be hosted by **Zoltán Gál**, University of Pécs, Centre for Economic & Regional Studies, University of Pécs (galz@kttk.pte.hu) and **Magdolna Sass**, Centre for Economic & Regional Studies, (sass.magdolna@krtk.hu).

Abstract

In today's dynamic economic landscape, sustainability encompasses not only environmental concerns, but also social, economic and governance aspects. This session will explore the multifaceted area of sustainability of *Global Value Chains (GVCs) dependent FDI development*, with a special focus on the regional or spatial dimension within Central and Eastern Europe (CEE) and other emerging regions of Latin America and Asia. They are integrated through vertical FDI and through specialisation in the lower value-added activities of the smile curve, especially in the segments of production and assembly.

In this special session we would like to compare the catching-up and growth experiences of these economies (and their regions) and approach them from different angles.

The session aims to analyse the transformative impact of GVC dependent FDI on the development of regions embedded into the Global Production Networks (GPN). Historically, these CEE regions have served as central hubs for FDI, fostering market integration and productivity growth. However, recent disruptive events such as the 2008 financial crisis, the Covid pandemic and the subsequent economic crisis, geopolitical conflicts and economic populism/nationalism have challenged this integration and triggered shifts towards deglobalisation.

This session seeks to elucidate the changing landscape of FDI trends, the impact of offshoring, backshoring processes and the evolving role of CEE and other emerging multinationals within GPNs. It also explores the readiness of these regions for Industry

4.0, addressing concerns about labour shortages, digitalisation, declining productivity and economic resilience.

A critical examination of the complex interplay between GVC-dependent FDI development and regional innovation systems is central to this discussion. It highlights how domestic economic policies aim to reduce external dependencies and promote indigenous innovation.

It underlines how domestic economic policies aim to reduce external dependence and promote domestic sources of growth. However, there's growing evidence of persistent centre-periphery dynamics, trade-offs and limitations within the GVC dependent FDI-based model that ultimately slow long-term convergence goals and lead to a middle-income trap.

The session also aims by proposing alternative models to mitigate the risks associated with the GVC-dependent FDI development path. It emphasises the need for sustainable strategies that harness domestic sources of growth while mitigating the pitfalls of over-reliance on FDI and the often subordinate position within GVCs. By identifying and addressing these challenges, the session aims to pave the way for a more sustainable and resilient future for these emerging regions within the global economic landscape.

The special session will delve into topics that cut across the following areas:

1. Assessment of changes in the position of CEE/other emerging regions in GVCs/GPNs, especially within automotive and electronics GVCs, using network theory methods. Effects of geopolitical changes and crises on regional positioning within GPNs, and alterations in government investment promotion policies.
2. Examination of emerging (CEE-based) multinationals and their outward FDI patterns; exploration of evidence for CEE multinationals leading GPNs.
3. Analysis of structural and sectoral complexities in CEE economies: economic vs. knowledge/technology complexities.
4. Role of FDI in economic growth and fixed capital investments at macro and regional levels, particularly in V4 countries.
5. FDI's role in regional development, competitiveness, and disparities; exploring the spatial dimensions of FDI's impacts on productivity and labor markets.
6. Impact of FDI on regional entrepreneurial activity and business dynamics in CEE regions.
7. Interplay between FDI-led development and regional innovation systems.
8. Examination of development policy alternatives to FDI-driven regional development, including considerations on economic nationalism, domestic industrial policies, and investment promotion.

9. Preparedness of emerging regions for Industry 4.0, strategies to cope with labor shortages, digitalization, and bolster economic resilience.
10. Discussion on middle-income traps and regional development traps.

This comprehensive exploration aims to identify challenges and propose sustainable strategies for the advancement of these emerging regions within the global economic landscape.