

The world economy is now characterized by increasingly interdependent economic activities organized through cross-border value chains and production networks. In this rapidly changing global economy, how can the dynamics of local and regional economies be better understood? In this issue, we look at how regional development becomes more dependent on these global production networks.

Promoting Regional Development in a World of Global Production Networks and Global Value Chains¹

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In its World Investment Report 2013, the United Nations Conference on Trade and Development (UNCTAD) estimated that some 80 percent of international trade was now organized through global production networks (GPNs) coordinated by lead firms investing in cross-border productive assets and trading inputs and outputs with partners, suppliers, and customers worldwide. If these production networks are indeed the organizational backbone and central nervous system of today's global economy, how does a regional economy develop and thrive by taking advantage of access to markets, technologies, knowledge, and capital embedded in these chains and networks?

I believe regional growth and development can be sustained through a process of strategic coupling that brings together key actors (e.g. firms) and institutions (e.g. state authorities) in regional economies and global lead firms in those production networks. This process of mutual complementarity can work to the benefits of both regional economies and GPNs. The former gain employment, production knowhow, and market access. The latter become more competitive through efficiency gains and technological innovation.

In East Asian regions, my research has identified three forms of such strategic coupling.

1. International partnership: In the Taipei-Hsinchu region, this articulation has taken the form of domestic Taiwanese firms serving as strategic partners of lead firms in the global information and communications technology (ICT) industry.

¹ This is based on a forthcoming paper: Henry Wai-chung Yeung (2015), "Regional development in the global economy: a dynamic perspective of strategic coupling in global production networks", [Regional Science Policy and Practice](#).

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In Singapore, global lead firms have made a direct presence through inward investment. This international partnership with global lead firms, either through transactional relationships or direct presence, brings tremendous growth dynamics and development potential to global industries in both cases: the Taipei-Hsinchu region (e.g. electronics and ICT) and Singapore (electronics, chemicals, finance, and transport and logistics).

2. Indigenous innovation: The presence of the developmental state creates the possibility of indigenous innovation through sustained national efforts in developing new products and process technologies embodied in such organizational forms as national firms (e.g. Samsung and the Taiwan Semiconductor Manufacturing Company) and strategic industries (e.g. semiconductors). These are large lead firms emerging from decades of sustained industrial policies that work in tandem with the return of technological and business elites from advanced industrialized economies (e.g. the USA). Indeed, some of these national firms have become lead firms in their own global production networks, underscoring the developmental possibility of increased autonomy and capabilities in East Asian regions such as the Seoul Metropolitan Area (South Korea), Taipei-Hsinchu (Taiwan), and Singapore.
3. Production platforms: Since the early 1980s, developing regions such as China's coastal regions, Malaysia's Penang, and Thailand's Greater Bangkok region have been strategically coupled with the huge demand for competitive production platforms by lead firms in GPNs. As production platforms, these regions provide very competitive cost structures, abundant labour supply, stable policy environment, fiscal and other financial incentives, and so on.

In short, strategic coupling is a selective process that incorporates only certain regional and GPN actors. It is unrealistic for regional policy makers and practitioners to expect such global-regional coupling process to be always inclusive; it is even more dangerous for them to rely exclusively on such strategic coupling as the only pathway to regional upgrading and positive development outcomes. There is always a critical role for regional institutions and groups of actors to engage in joint decision and collective action to mitigate the negative consequences of such GPN coupling and to consider a more balanced and equitable form of regional development.