



REGIONS AND GLOBALISATION: *Rethinking attractiveness from crisis to resilience*

Regional development in the new global environment

Which relocation strategies for resilient regional development? The case of nearshoring

I. PRACTICAL INFORMATION:

Date: Thursday, 16th of September 2021

Time: 4.30pm (CEST)/ 3.30pm (Morocco)/ 9.30am (Colombia, Mexico) / 10.30am (Chile) / 11.30am (Argentina, Canada)

Venue: Zoom Webinar <https://meetoeed1.zoom.us/j/91162846284>

Target audience: National authorities, Regional authorities, private sector and partner international institutions

II. SESSION DESCRIPTION :

- In the context of the OECD project on Regional development in the new global environment, this webinar will consider the **conditions in which relocation strategies could be an effective instrument for recovery and long-term resilience** seizing on lessons from the Covid- 19 crisis. A **territorial focus** is key to assessing the potential impact of reshoring/offshoring and nearshoring opportunities and strategies, and successful ways to implement them.
- This webinar will explore different approaches to relocation and **the impact it can make in local economies**; the **conditions necessary for the efficient implementation** of nearshoring strategies and their possible limitations; and **the policy instruments and governance tools needed** to better align these strategies with other actions that support the recovery and long-term development of places. Attention will also be paid to non-price factors, as nearshoring activities typically require complementary investment in hard and soft in infrastructure, innovation systems and human capital development and competences. The ability of nearshoring to contribute to sustainable, inclusive and resilient regional development will also be considered.
- Different points of view from Latin America, European and Moroccan public and private actors will be shared concerning the regional advantages that nearshoring strategies can bring, for both production and outsourcing countries.

Main areas of discussion and expected outcomes:

1. Understand the extent in which nearshoring strategies can help rebuild a more resilient local recovery in both production and outsourcing countries.
2. Experience sharing in a dialogue across levels of government in different countries to discuss and compare nearshoring strategies.

Questions to kick off the dialogue:

- Which nearshoring or relocation strategies can you see in the recovery plans of your country at the national or regional level?
- According to your experience what are the components for a regional ecosystem that can favour effective nearshoring strategies? (Clusters development, public investment and infrastructure, universities and technical centres, presence and dialogue with international foreign investors, sectorial identification of needs and



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opportunities, business climate, clear allocation of responsibilities, quality of natural, cultural and social environment etc.)

- What key factors (e.g. previous regional investment, transportation and logistics services, land-use planning, jobs, capacities and talent, market stability, limited administrative barriers, comprehensive regional economic development strategy etc.) would influence the location strategies of foreign investors in your region?
- What are the opportunities (e.g. time zone compatibility, cultural closeness, infrastructure quality) and challenges (e.g. transport and production costs, logistic and digital networks, respect for environmental and social conditions confidentiality and data protection, skill gaps) of nearshoring strategies in your region?
- What are the benefits for regions that provide outsource services to neighbouring countries of origin?
- What are the benefits for regions of origin that outsource activities in neighbouring countries?

III. SESSION FORMAT

The session will follow an on-line “panel” format. The session will be 1.30 hours max in duration.

Time	Description	Panellists
4.30- 4.35	Housekeeping information	OECD staff
4.35- 4.40	Welcome session (5 min)	❖ Sebastián Nieto Parra – Head of Latin America and Caribbean Unit (OECD-DEV) TBC <ul style="list-style-type: none"> • <i>Welcome the participants</i>
4.40 – 4.45	Introduction of the discussion (5 min)	❖ Claire Charbit – Head of Territorial Dialogue and Migration Unit (OECD-CFE) <ul style="list-style-type: none"> • <i>Reshoring/Nearshoring strategies for regional development</i>
4.45 – 5.35	Experience-sharing (45 min)	Moderator: Vicente Ruiz, Economist Territorial Development Unit DEV Centre OECD <ul style="list-style-type: none"> ❖ Chile (10 min) -Marcelo Canobra, Regional Director of the Production Promotion Corporation Magallanes ❖ Colombia (5 min) - Johana Padilla - Manager of the Regional Competitiveness and Innovation Commission Valle del Cauca, Colombia ❖ Spain (5 min) - Mónica Paya, Valencia Community – Spain ❖ France (5min) - Mr. Jean Marc Dessapt Regional Economic Development Agency Occitanie / Pyrenees- Mediterranean region ❖ Morocco (5 min) – Mr. Khairoun (Services of the Head of Government)
5.35- 5. 50	The point of view of private actors (15 min)	Moderator: Claire Charbit (OECD- CFE) <ul style="list-style-type: none"> ❖ Mr. Adil Raiss: President of the Regional Directorate of Tangier-Tétouan-Al Hoceima of the General Confederation of Moroccan Enterprises - CGEM TTH, Morocco



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		<ul style="list-style-type: none"> ❖ Mr. Alejandro Ossa – Executive Director Invest Pacific, (Investment promotion agency of the Colombian Pacific is a non -profit and public-private organization Colombia ❖ Mr. Juan Carlos Baker Pineda – CEO and Partner Ansley International Consultants. International expert in foreign trade, regional integration and international relations. Mexico
5.50 -6.00	Closing remarks (5min)	Claire Charbit (OECD-CFE) and/ Sebastian Nieto (OECD-DEV)

Background and rationale:

As the world recovers from the shock of the pandemic and the resultant lockdowns in regions and cities, different narratives emerge of how to build back better. The discussion in this webinar will analyse the impact of adopting a territorial approach to relocation strategies, and in particular nearshoring, as a positive change in the new global environment.

Although the consequences of various relocation strategies: reshoring, nearshoring and offshoring may be minor at the macro level, they tend to have a significant impact at the local level, both in terms of employment and economic development.

This discussion also aims to assess relocation strategies in light of a concrete and proactive vision of long-term regional attractiveness, to support the development of territorial strategies towards resilient development.

Relocating does not mean moving away from globalisation, but rather, supporting a regional approach to internationalisation. National and regional governments can collaborate to enhance the attractiveness of regions currently less connected to international markets and flows. In this context, even before Covid-19, some companies started diversifying procurement **into close countries, trying to reconcile cost advantages and proximity**. In this sense, **nearshoring** offers a range of potential advantages to “client” countries, relative to traditional offshoring:

- Fewer cultural, linguistic and time zone differences;
- Reduced travel expenses;
- Greater regulatory alignment; and less risk to intellectual property;
- Avoiding the delay of long supply chains, import fees, and trapped inventory.

Nearshoring can help secure supply chains, while diversifying neighbouring trading partners. On the other hand, this movement must be considered along with structural trends - such as the increase in demand for specific products and respecting specific regulations (e.g. electronic components; environmental and social conditions).

Emerging economies and particularly those with geographical proximity to established markets – including several Latin American countries as well as Morocco – are well positioned to exploit the current shift to nearshoring and make the most of the consequences brought about by the Covid-19 crisis, despite the “reshoring” policy included in north countries recovery strategies.

Country/regions and sectors Examples:





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Argentina

In 2014, **Kin + Carta** opened offices in Argentina (Buenos Aires and La Plata) because of cultural similarities, excellent English proficiency; being aligned with the US time zones, geographic proximity and direct airplane flights, and a great pool of talent are some of the most relevant ones. Kin + Carta is an Information Technology and Services firm with Headquarters in Chicago, USA that combines capabilities in technology, data and experience to enable companies to innovate, modernize and optimize their digital potential. (Source : <https://www.kinandcarta.com/en/fwd20-sessions/the-future-of-global-delivery-models>)

Chile

Evalueserve is a Swiss-based consulting and analytics company that provides market research, procurement intelligence, and related services for sectors such as finance and media; conducted an extensive comparison study between Santiago and Valparaíso, the latter winning because of the business environment, infrastructure, education system, talent pool and immigration policy make Valparaíso attractive. Valparaíso has seven universities, five of them among the top ten in the country, an influx of bilingual computer engineers, industrial engineers and business specialists who enter the job market annually. However, the lack of adequate transportation represents a challenge for the region.

(Source: <https://nearshoreamericas.com/nearshore-outsourcing-evalueserve-plans-to-triple-size-of-chile-presence>)

Colombia

Foonkie Monkey, a Miami US computer software company with more than ten years of experience in application development and custom software development, believes that the transformative effect that IT has had on the Latin American region in the last decade has laid the foundation for exponential growth in IT products and nearshoring talent.

For this company the growing talent pool of IT-focused workers and iTS-related engineering graduates is very attractive. In addition, the implementation of government laws and regulations to attract foreign investors that have created a healthy business environment in Colombia. Simplification of processes, new legislation, tax breaks for foreign companies, and liberalization of trade measures have created a more flexible and competitive business climate. For this company, Colombia offers not only cost reduction benefits, but also means greater cultural alignment, greater compatibility, and better understanding between the parties involved.

(Source : <https://nearshoreamericas.com/how-to-get-the-best-out-of-your-nearshore-team>)

Morocco

Renault and **PSA** are two auto industry leaders in Morocco, which benefit from well-developed supply chains across the country. Their models target mostly emerging markets, as well as European consumers, due to their relatively low costs and affiliation to the traditional parent companies.

On the one hand, **Renault** announced in April 14, 2020 its intention to exit the Chinese touristic car segment and increase its location rate from 50% in 2018 to 80% by the end of 2020 in the Kingdom. Currently, Renault manufactures in Tangier the Dacia Lodgy, the Sandero (previously manufactured in Romania, Brazil, South Africa and Russia) and the Dokker.

On the other hand, the entire Kenitra **PSA** manufacture's value chain is located in Africa, particularly Morocco, where its ecosystem is supported by a network of 62 Moroccan suppliers. Moreover, PSA recently signed an agreement with Morocco to install two factories. Its official aim is to re-conquer the Moroccan market with the 301 / C-Elysée models, semi-low-cost cars manufactured so far in Vigo (Spain) and Wuhan (China).

(Sources: OECD 2020; Chez Iceman, 2015, Invest in Morocco, n.a)

Pharmaceutical Sector



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China is the main supplier of active ingredients, excipients and raw materials for the pharmaceutical industry, as well as of many components used in manufacturing plants. (Pharma World Magazine 2020). It was during the first wave of the pandemic, in Wuhan city, that we realize the dependency of countries basic sanitary materials and medications, since almost all exports were blocked from China towards Europe and other global destinations.

Likewise, the closure of borders between EU countries characterised the second wave of Covid-19, by greatly limiting the movement of goods in the Single European Market.

Even before the Covid-19 crisis and over the past two decades, pharma companies have leveraged outsourcing given the labour advantages that countries like India and China provide. However, given the extent of automation in manufacturing by big players like Merck, the importance of cheap labour is diminishing. Companies are focusing their efforts on innovation and research, and **nearshoring is helping them take the opportunity** to save cost and re-route it toward R&D (Toby Hay, FedEx Healthcare Solutions 2020).

In this sense, companies can explore the advantage that a specific country can offer in terms of low wages, transport and travel costs and an overall conducive regulatory landscape. For example, countries like Poland and Bulgaria as well as other Eastern European countries are likely to benefit the most from Western European countries nearshoring. With Bulgaria, Poland and Lithuania ranking among the top ten destinations in terms of tax incentives, outsourcing opportunities and stabilized economies, etc. (gep.com).