

The effect of nearshoring on industrialization in a context of Global Value Chains

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ABSTRACT

Nearshoring processes are identified as central to (re)industrialization, which, however, depends on the position within Global Value Chains (GVCs) and the structural characteristics of the economies. The objective of this paper is to estimate the effect of nearshoring on industrialization for a group of 75 countries over the period 2010-2021, differentiated by their integration into GVCs. It is hypothesized that countries with a greater weight in GVCs benefit most from industrial relocation. The econometric methodology is dynamic panel data, considering possible simultaneity and endogeneity between variables (S-GMM). The analysis incorporates economic and technological variables. A nearshoring index is proposed and discussed based on central elements of globalization such as foreign and domestic value added, foreign direct investment flows, and pressures on supply chains. The results corroborate the hypothesis of nearshoring by reindustrialization. Therefore, industrial policy in the context of globalization must consider the absorption and integration capacities in global value chains to support industrial development.

JEL Codes: F23, L52, O14

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