

ADVANTAGES AND DISADVANTAGES OF REGIONAL MANUFACTURING AND GLOBAL VALUE CHAINS

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Global Value Chains Trends

“Global Value Chains
are here to stay”

A number of factors has led to the generalisation of Global Value Chains: reduced costs of transportation and distribution, access to new markets, access to lower cost manufacturing, incorporation of new (digital) technologies, liberalisation of trade...

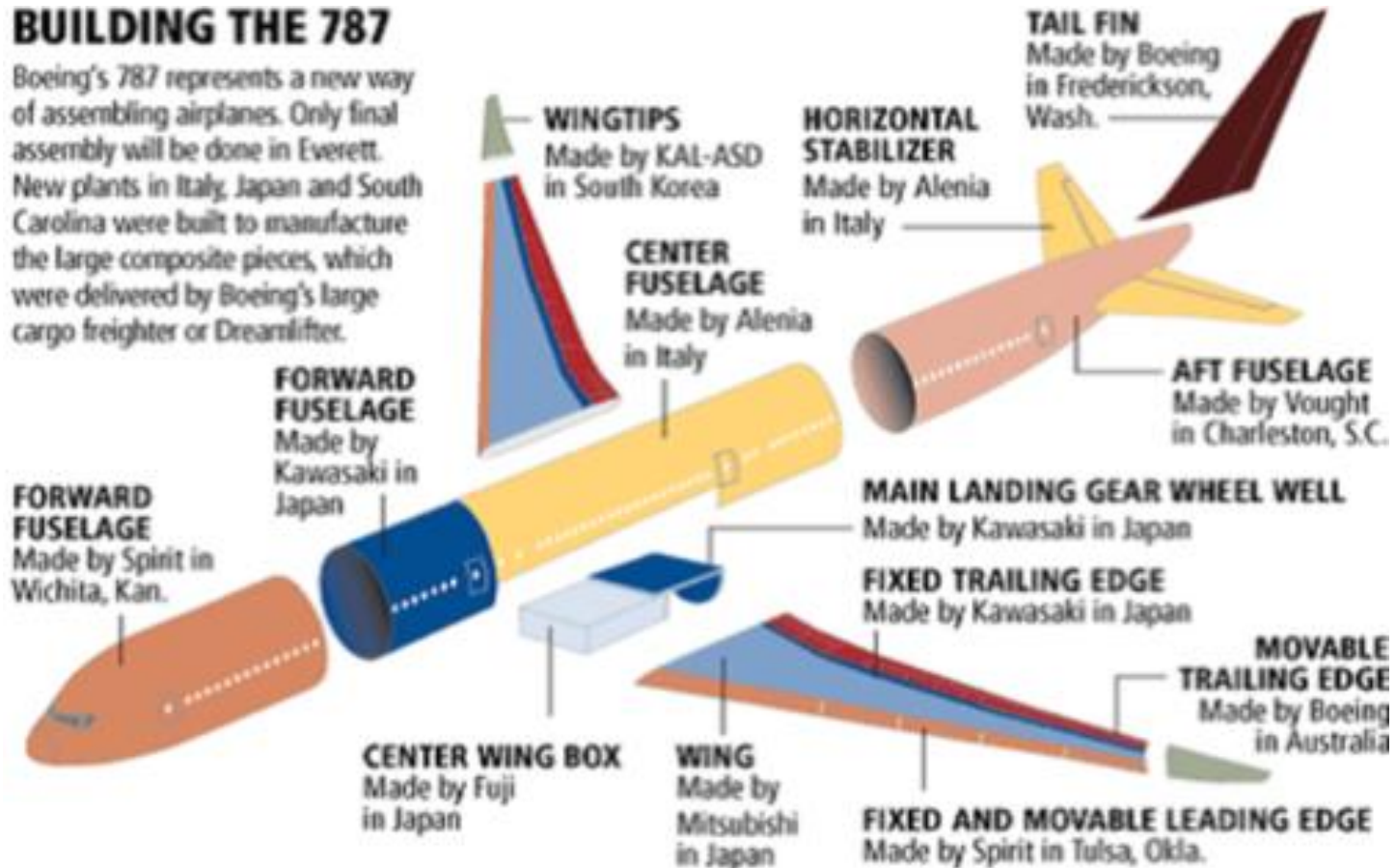
Very relevant in several sectors: electronics, aeronautics, automotive



Global Value Chain

BUILDING THE 787

Boeing's 787 represents a new way of assembling airplanes. Only final assembly will be done in Everett. New plants in Italy, Japan and South Carolina were built to manufacture the large composite pieces, which were delivered by Boeing's large cargo freighter or Dreamlifter.



Offshoring drawbacks

“...but when Manufacturing is gone, knowledge and competitiveness may follow“

Off-shore manufacturing addressed mainly for costs reasons BUT
... manufactuirng knowledge, a key element for competitiveness can follow
... design and product knowledge can follow as well



Re-shoring?



“...with rising costs overseas and higher risks of losing core capabilities, **RESHORING** as a trend“

Not as impossible as “once manufacturing is gone, it will never come back” but:

...an strategic move to keep core knowledge, maintain social impact and strengthen company competitiveness

...often enabled by technology



Regional specialisation in global value chains



“Industrial companies, mostly SMEs, need to access to Global Value Chains“: specialisation is often the way

From TIER 1 and beyond, suppliers need to differentiate, often at continental or global scale

VALUE CREATED in specific fields, sometimes niches, is the main differentiating factor, and bringing additional value to processes, products and services is more affordable when operating at regional scale, at regional industrial and innovation ecosystems

Regional specialisation has led, through clusters strategies, to reinforce or even re-create industry and to integrate it at global value chains

Value Chains with strong regional roots



“Industries integrating European Value Chains keep competing and leading in the global arena“

Some sectors (machinery, automotive, aeronautic, railway equipment...) with European OEMs and Value Chains are leaders at global competition

Competitiveness of these European Value Chains are based on the strengths of its elements, mostly SMEs with strong regional roots

Regional ecosystems of industrial companies (suppliers and integrators), together with service providers, a research and innovation ecosystem, as well as a good education and training infrastructures provide the needed environment for the companies to operate and grow – **REGIONAL CLUSTERS**

The role of regional clusters

“... anchoring manufacturing activities in a region is strongly facilitated through active clusters“

Clusters enabling:

- Industrial cooperation
- Local integration of value chains
- Cooperation between education – research – industry
- Access to relevant knowledge/technology providers
- Strong support from regional authorities, public-private cooperation
- Higher visibility of regional strengths, attraction of investments, attraction of professionals
- Higher awareness at society at all levels

Examples of Clusters at the Basque Country

An industrial innovation policy sustained over 30 years, leading to the re-invention of the industrial and innovation eco-system

BASQUE COUNTRY



CLUSTER POLICY > THE 11 PRIORITY CLUSTER ASSOCIATIONS

Logotype	Name	Year	Website
	ACEDE – Basque Country Household Appliances Cluster Association	1992	www.acede.es
	AFM – Spanish Machine Tool Manufacturers Association	1992	www.afm.es
	ACICAE – Basque Country Automotive Industries and Components Cluster Association	1993	www.acicae.es
	GAIA – Basque Country Electronics and Information Industries Cluster Association	1994	www.gaia.es
	UNIPOINT – Port of Bilbao Cluster Association	1994	www.uniporbilbao.es
	ACLIMA – Basque Country Environmental Industries Cluster Association	1995	www.aclima.net
	Energy Cluster Association	1996	www.clusterenergia.com
	HEGAN – Basque Country and Aeronautics and Space Cluster Association	1997	www.hegan.com
	Basque Maritime Forum – Basque Maritime Industries Cluster Association	1997	www.foromartimovasco.com
	Paper Industries Cluster Association of the Basque Country	1998	www.clusterpapel.com
	EIKEN – Basque Country Audiovisual Cluster Association	2004	www.eikenduster.com

How to make it compatible

“Global Value Chains are here to stay, strong regional manufacturing is the way to compete in this field“

- Global Value Chains tend to integrate “best in class”
- Manufacturing Excellence can arise from strong regional clusters
- Benefits for the society become clear, social commitment should be a must

in our search to keep and improve European societies, manufacturing keeps a key role as an enabler for economic balance and decent jobs

a globally competitive industry with strong regional roots is one of the most clear ways to get it

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Thank you!

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