

Harnessing FDI for Economic Development: The case of wind power in China

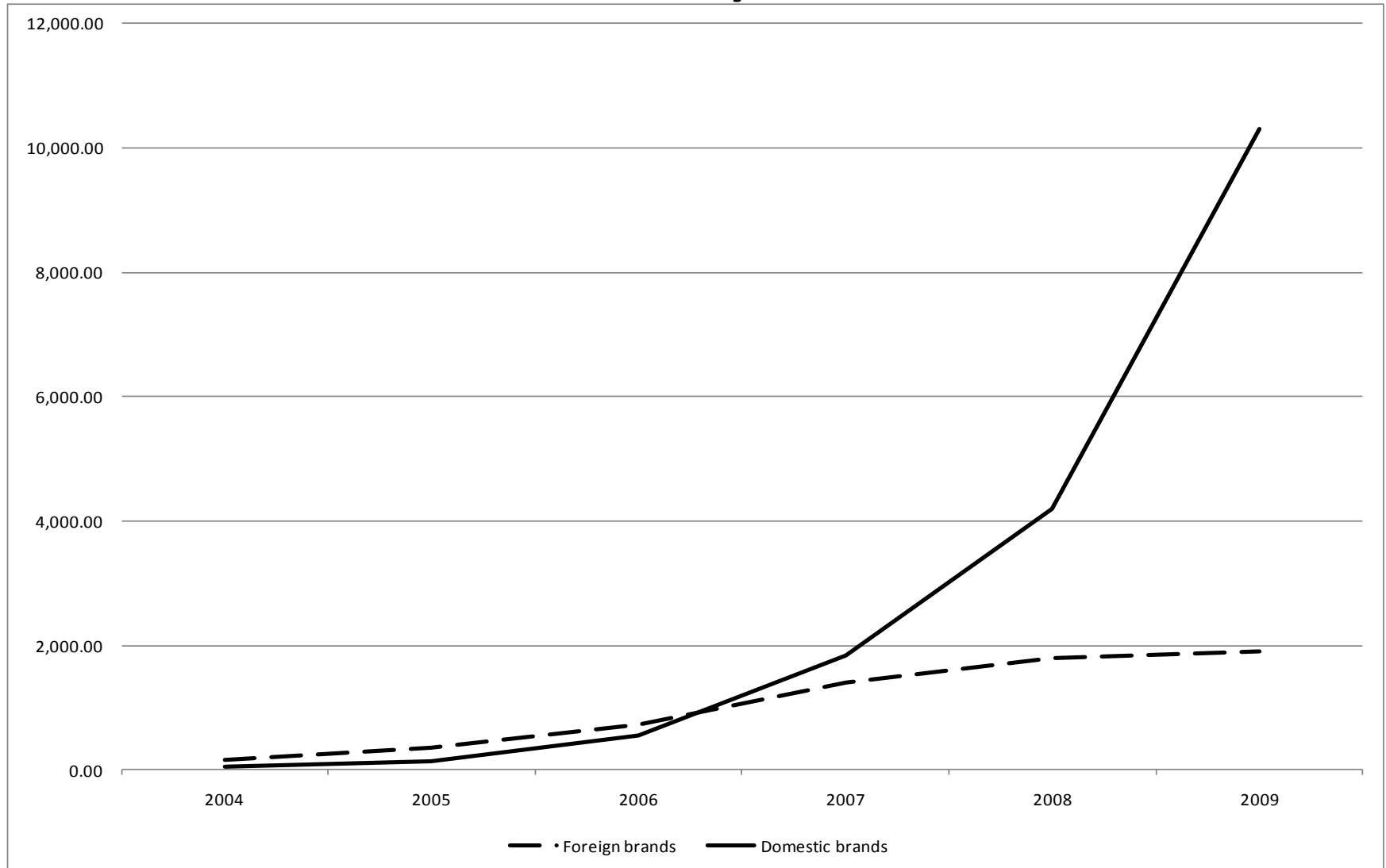
**ROUND TABLE DISCUSSION ON “*FDI AND
LOCAL TECHNOLOGICAL AND INNOVATION
CAPABILITY BUILDING*”, 1st JULY, 2014,
COSTECH, DAR-ES-SALAAM**

Questions

The case of wind power in China:

- What were the critical success factors for leveraging FDI for local industrial development?
- Are there lessons for low income countries?

Evolution: MNCs vs domestic firms in China's wind industry



Key factors

Attracting FDI

- Market access
- Multilateral support mechanism
- Export promotion in 'home countries'
- High transportation costs
- Follow sourcing

Exerting leverage for local industrial development

- Local content requirements (2005-2009: take off)
- Government control over tenders (public procurement policy)
- Designated as strategic priority industry
- Using skillsets and capabilities from related industries (crowding in)
- Selected partnerships across the value chain (choosing functions)
- Demonstration effects (imitation and labour mobility)
- Selected joint ventures

Lessons for low-income countries?

- The role simultaneous support for domestic industry: not relying on FDI alone
- The role of careful 'sequencing' and fine-tuning of strategy and policy
 - Attracting and keeping FDI, leveraging FDI and crafting the playing field
 - Local content requirements
 - Public procurement policy
- Carefully selecting functions in the value chain

Lessons for low-income countries?

Rural electrification with renewable energy

- Where will the technologies and services come from?
- What are the prospects for local linkage development?
- Which business models create multidimensional outcomes and interactive learning?

