

**Foreign investment and value-added generation in resource rich economies in the
Association of Southeast Asian Nations and Pacific Alliance**

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Abstract:

This study evaluates the effect of foreign direct investment (FDI) on the generation of added value in natural-resource-rich economies in the Association of Southeast Asian Nations (Brunei, Indonesia and Malaysia) and the Pacific Alliance (Chile, Colombia, Mexico and Peru). We use international input-output tables published by the OECD which contain transactions between 64 economies composed of 36 economic sectors each, from 2005 and 2015. First, we identify which are the global value chains (GVC) that make intensive use of minerals; then, we locate the position of each evaluated country-sector in such chains; and finally, we estimate, through an econometric regression, what role has foreign direct investment played in the sectors that transform minerals.

After estimating the added value generated by country-sector in each link of the mineral-intensive value chain, we find that the ASEAN economies and Mexico are positioned in forward links in these chains, while Chile, Colombia and Peru still remain in initial links. We also find that FDI has played an active role in generating added value for ASEAN economies, but has not had similar effects in Latin American economies. The result is explained by the vertical industrial policies applied in the former, while for the latter the priority has been concentrated on horizontal policies.