

Global Connections: How countries can extend it through participation in GVC and Innovation Activities?

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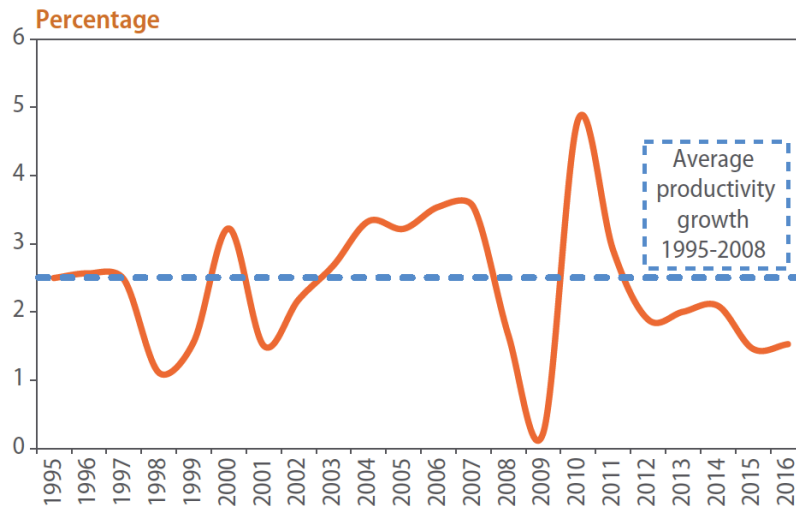
Abstract

As it is known one of the main determinants of real economic growth is the high level of productivity of the economy. Recent years official data shows that there is a solid productivity in the world, but also there is a slowdown in productivity in some countries. Especially, productivity has slowed down in many OECD countries in the long-run perspective. In this regard countries strive to implement new solutions to the emerging problems, to introduce new policies against slowdown. Within the framework of these policies there are several solution instruments such as to increase innovations, enlargement of trade relations, effective investments and other instruments. This research paper investigates possible contribution of innovation activities and participation of countries in Global Value Chain (GVC). One of aims of this research is to realize how countries could extend the Global Connections applying innovations and broadening trade relations with partners. In this framework enhancing the amount and efficiency of Foreign Direct Investments (FDI), movement of labor between different countries, provision of the mobility of labor and enlargement of mutual economic relations are the most important policies that can ensure them to extend Global Connections. In this respect, analysis of current situation in international trade, policies of countries for innovations through Research & Development (R&D) activities, solution policies will be introduced in this research paper.

Increasing level of globalization in the world stimulated countries to raise their potentials for more innovations, common trade policies and for growth of productivity by applying new technics and new technologies to the production processes. In the different periods of 20th century and at the beginning of 21st century realization of mentioned policies and actions were not identical. Especially, after the 2008 Global Financial Crisis there is an important issue that is related to slowdown in productivity. This is one of the main problems of today's international economy that many of nations face. *Figure 1* represents growth of labor productivity in the world economy in the period of 1995 to 2016. It is clear from the figure that recent years,

especially after Great Depression in 2008 there is short increase only in 2009 and after that a continuous slowdown in labor productivity.

Figure 1. Growth of Labor productivity in the world economy (1995-2016)



Source: UN, The Slowdown in Productivity Growth: A View from International Trade Development Issues No. 11, April 2017

Advanced economies encountered with decrease in Total Factor Productivity (TFP), and in economic activities. (Duval, et.al., 2017) Also after great recession in 2008 there are several different economic problems such us slowdown in FDI, inclusive innovations and etc. All these problems have weakened Global Connections between countries. Against this backdrop this research paper examine the current conditions in capital investment, trade flows, countries' innovation policies and at the end will present a solution that can contribute to find an answer to the question: "How to extend the Global Connections between countries?" For that research paper has been divided into 3 main parts: first, is the explanation for Global Connections and failures that are barriers against its extension. The second part is about how countries participate in GVC and what is the role of GVC in the extension of Global Connections between countries. The third is the introduction of innovation policies for extension the Global Connections including R&D investments, protection of Intellectual Property Rights (IPR) protection, provision of market players with patent system, investment in knowledge. Final goal is to summarize all these issues and to introduce how it is possible to broaden connectivity of countries in the global context and by this way to increase total productivity.

Keywords: innovation, international trade, productivity, research & development

JEL classification: O24, 038, 043, F43