

## Response to Comments on

Theodore Moran, Holger Görg, Adnan Serić, and Christiane Krieger-Boden (2018). Attracting FDI in middle-skilled supply chains. Economics Discussion Papers, No 2018-2, Kiel Institute for the World Economy. <http://www.economics-ejournal.org/economics/discussionpapers/2018-2>

Dear Commentator,

Thank you for your thoughtful and valuable remarks and suggestions. In response to this, we reformulated and rearranged parts of our paper. Moreover, here are some answers and explanatory notes to your remarks:

1. *“The authors leave out a discussion which policy actions are seen as the most important ones. That is, it is not clear at the end which of the stated policies are supposed to have the largest impact in attracting “quality FDI”. Moreover, it is not clear whether the sequence of the policy actions plays a role. Is it important to start with a few (essential) policy actions and then continue with the others subsequently, or should all relevant policies implemented (more or less) at the same time?”*

Since our paper summarizes the evidence from various single studies that are in no way interrelated to one another, we cannot answer the question what of the suggested policy actions might have the largest impact, and what would be the best sequence of the suggested policy actions. Still, the order in that the measures in our paper appear should indicate our ideas as to where to start, what to do next, and so on. Actually, we rearranged this order a bit to make it more plausible.

2. *“The term “middle-skilled supply chains” in the title is not fully clear to me. Numerous examples of supply chains in manufacturing segmented across countries are characterized by the fact that different production stages employ labor with different skill levels. Thus, in the same supply chain low-, middle- and high-skilled labor may be employed. Finally, as I understand the paper, shouldn’t the title rather be something like: “Attracting FDI in middle-skilled manufacturing sectors”?”*

We changed the title as you suggested. We reformulated the “Overview” in response to another comment and we hope that we thereby also allowed for your objection.

3. *“In general, the paper is vague in terms of “middle-skilled” and “high-skilled”. This does not impair the understanding of the paper. However, a clear definition is needed to make the motivation (i.e. Figure 1) more convincing. What is actually behind FDI in “higher-skilled sectors”?”*

The UNCTAD data provide sector-specific FDI-flows. For Figure 1, we simply aggregated the figures for all those sectors assumed to employ largely low-skilled workers, for those producing largely raw materials, and for those requiring larger amounts of somehow educated and even high-skilled employees. We added an explanatory footnote in the paper.

4. *“A minor issue is related to the second paragraph in the section “Overview”. To which aspect is the expression “such particular kinds of policy challenges” linked. It seems like it is related to the*

*policy challenges mentioned in the abstract. However, this is not clear for the reader.”*

The expression refers directly to the preceding first paragraph of the “Overview”, on the “distinctive policy and regulatory challenges” related to the five FDI segments.

5. *“A final comment: The authors mention the interesting aspect of “the understudied field of foreign investment in service industries” which is clearly beyond the scope of the paper. However, observing that in some developing countries FDI in services plays a huge role, there is need for future research, e.g. to investigate how policies should be organized to attract “quality FDI” in services.”*

Yes indeed, a promising field for future research, where the authors hope to contribute to.

We hope that our changes in the paper and these explanations help to clarify issues and to improve the paper.