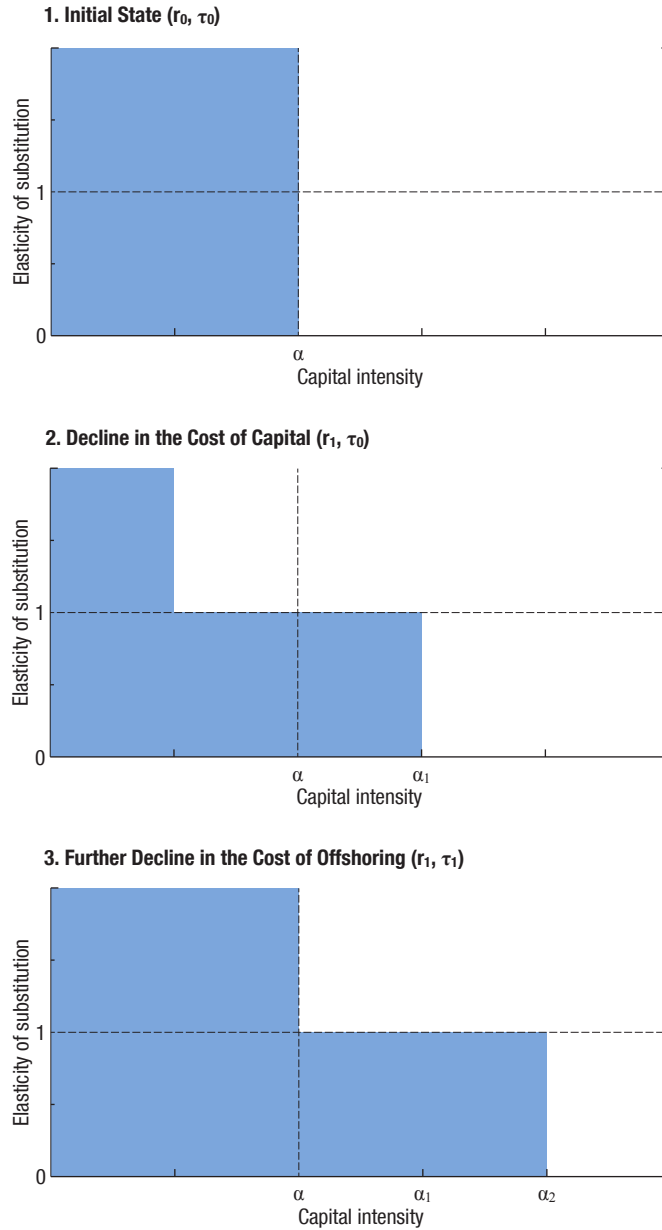


**Annex Figure 3.2.1. Impact of the Costs of Capital and Offshoring on the Set of Tasks Offshored from a High-Wage Country to a Low-Wage Country**



Source: IMF staff estimates.

Note: The shaded areas represent tasks that are offshored from a high-wage country to a low-wage country. This figure suggests that tasks with  $\rho < 1$  are more likely to be offshored than tasks with  $\rho > 1$  if there are declines in the cost of capital and the cost of offshoring, where  $r_0$  and  $r_1$  denote the cost of capital and  $r_0 > r_1$ , and  $\tau_0$  and  $\tau_1$  denote the cost of offshoring and  $\tau_0 > \tau_1$ . For illustrative purposes, all tasks with capital intensity below  $\alpha$  are offshored in panel 1, and the set of tasks with  $\rho > 1$  that are offshored in panel 3 are set to be identical with that in panel 1.