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 \( \tau_0 > r_0 \) and \( \tau_1 > r_1 \) and \( \tau_0 \) 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.