



DEVELOPING ECONOMIES' PARTICIPATION IN GLOBAL VALUE CHAINS: ONGOING WORK

Javier Lopez Gonzalez
OECD Trade and Agriculture Directorate – Development Division

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GVC Era”**
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Background

- Unravelling GVC activity:
 - i. Mapping participation (OECD-TiVA);
 - ii. Identifying drivers – policy and non-policy related;
 - iii. Understanding consequences (benefits, jobs, distribution of gains etc);



The global context; the regional factories...

Domestic Value Added embodied in foreign final demand	France	Germany	United Kingdom	Rest of EU	Turkey	South Africa	Russian Federation	India	China	Korea	Japan	Rest of Asia	Australia	New Zealand	South America	Mexico	United States	Canada	RoW	Total
France				1%															1%	4%
Germany	1%		1%	3%													1%		1%	8%
United Kingdom				1%													1%		1%	4%
Rest of EU	2%	2%	1%	5%			1%	1%									2%		3%	20%
Turkey																				1%
South Africa																				1%
Russian Federation				1%															1%	3%
India																			1%	2%
China				1%							1%	1%					2%		1%	8%
Korea																				2%
Japan									1%			1%					1%		1%	5%
Rest of Asia				1%					1%		1%	1%					1%		1%	7%
Australia																				2%
New Zealand																				0%
South America																			1%	3%
Mexico																	1%			2%
United States		1%	1%	2%				1%			1%	1%				1%		1%	2%	12%
Canada																	2%			3%
RoW	1%	1%	1%	2%				1%	1%		1%	1%					3%		1%	13%
Total	5%	6%	5%	19%	1%	1%	2%	3%	6%	2%	5%	5%	2%	0%	2%	2%	16%	3%	15%	100%



Backward participation (sourcing)

Backward Participation by Origin 2009	France	Germany	UK	RoEU	Turkey	South Africa	Russia	India	China	Korea	Japan	RoAsia	Australia	New Zealand	South America	Mexico	USA	Canada	RoW
France		2%		2%															
Germany	4%		2%	4%	2%	2%			2%	2%									3%
UK		2%		2%															
RoEU	8%	10%	5%	8%	4%	2%	2%	3%	3%	3%		3%		2%		2%			5%
Turkey																			
South Africa																			
Russia				2%	4%														
India																			
China								2%		5%	2%	4%							3%
Korea									3%			2%							2%
Japan									4%	5%		4%							2%
RoAsia								2%	6%	5%	2%	6%	3%	2%		2%			2%
Australia										2%									
New Zealand														3%					
South America																			2%
Mexico																			
USA	3%	3%	3%	3%	2%	2%		2%	4%	5%	2%	5%	2%	2%	2%	13%		9%	2%
Canada																			
RoW	4%	4%	3%	5%	4%	5%		7%	5%	10%	3%	6%	2%	2%	2%	2%	3%	3%	2%
Domestic	75%	73%	83%	69%	78%	84%	93%	78%	67%	59%	85%	63%	87%	82%	88%	70%	89%	80%	82%
Imported	25%	27%	17%	31%	22%	16%	7%	22%	33%	41%	15%	37%	13%	18%	12%	30%	11%	20%	18%



Forward participation (selling)

	France	Germany	UK	RoEU	Turkey	South Africa	Russia	India	China	Korea	Japan	RoAsia	Australia	New Zealand	South America	Mexico	USA	Canada	RoW	Total	
France		4%		9%																	21%
Germany				11%																2%	23%
UK		4%		11%																3%	25%
RoEU		4%		8%																	21%
Turkey		3%		5%																3%	16%
South Africa				3%					4%												17%
Russia	2%	5%		19%					4%			3%								4%	45%
India				5%					3%			4%								3%	20%
China				2%								3%									13%
Korea				3%					9%			5%									24%
Japan				4%					9%	3%		8%					2%				33%
RoAsia				3%					7%			6%									25%
Australia				3%					8%	4%	3%	6%									31%
New Zealand				2%					3%			2%	2%								16%
South America				5%					6%			3%								3%	28%
Mexico																	5%				11%
USA		2%		7%					3%			4%				2%		2%		2%	29%
Canada																	6%				15%
RoW	4%	7%	3%	21%				3%	9%	6%	3%	10%				6%			4%		32%



Inside Factory Asia; origin of foreign value added...

2009																		
	EU	India	Brunei Darussalam	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	China	Chinese Taipei	Hong Kong, China	Korea	Japan	Aus-NZ	NAFTA	RoW
EU	53%	22%	26%	18%	17%	21%	15%	27%	19%	16%	21%	15%	19%	18%	17%	26%	24%	39%
India																		4%
ASEAN8		8%	26%	21%	16%	16%	15%	12%	9%	14%	8%	7%	8%	7%	11%	12%	5%	4%
China	6%	8%	5%	14%	10%	11%	6%	9%	9%	15%		10%	25%	11%	14%	12%	12%	8%
Chinese Taipei				3%						4%	4%		3%					
Hong Kong, China				4%														
Korea				3%	4%	3%	3%			6%	6%		3%		3%			
Japan		3%	10%	7%	10%	12%	12%	10%	14%	11%	12%	20%	9%	11%		8%	6%	4%
AUS-NZL		4%			5%	3%	4%		3%	3%	5%	4%		5%	6%	4%		
NAFTA	11%	12%	19%	16%	15%	15%	20%	17%	14%	10%	14%	18%	16%	17%	19%	19%	26%	16%
Rest of the World	19%	39%	7%	10%	19%	12%	20%	13%	24%	18%	27%	20%	12%	27%	25%	13%	20%	18%



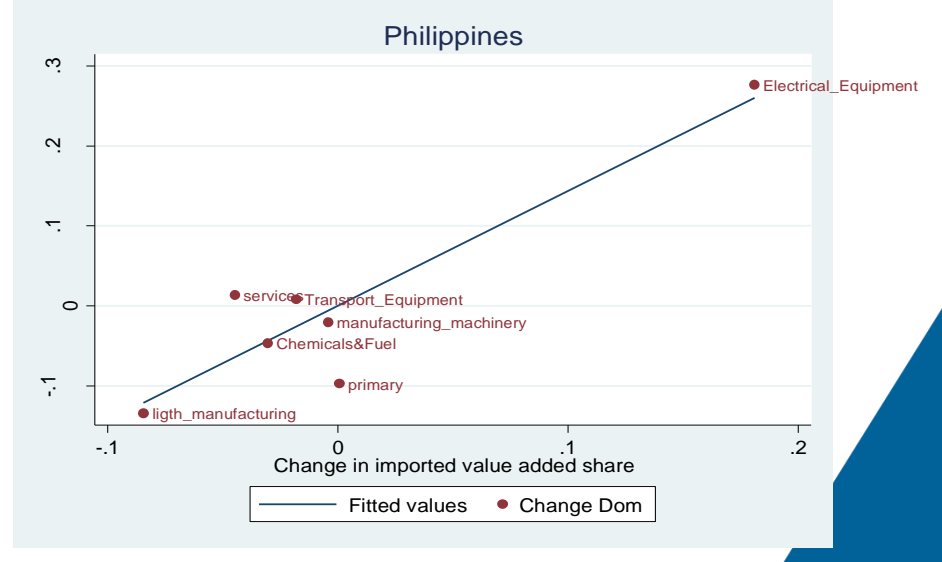
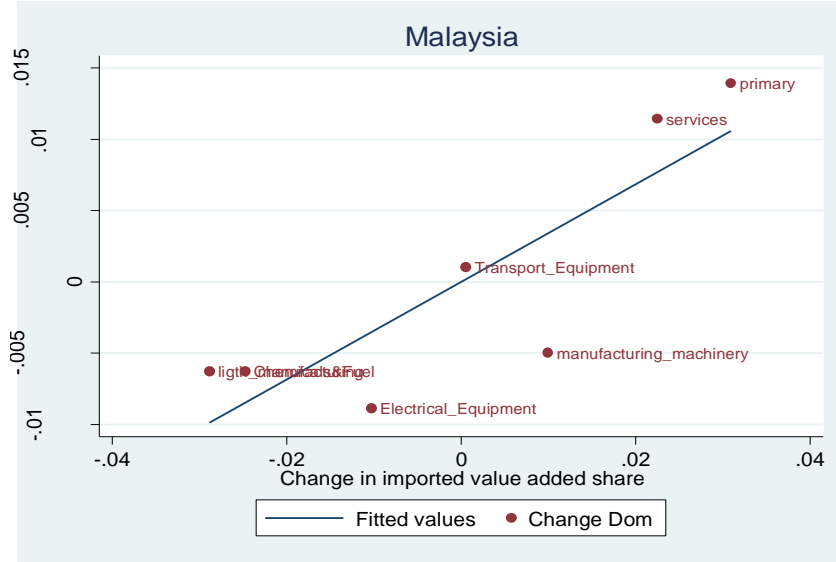
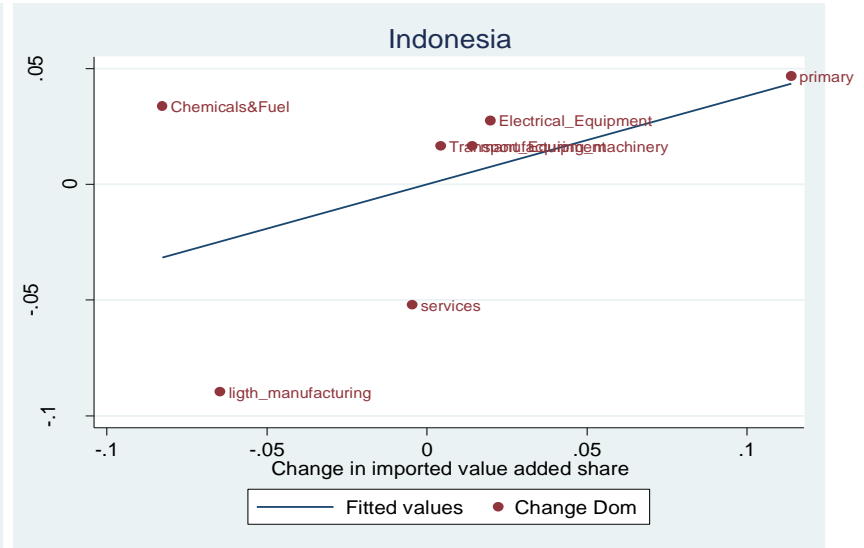
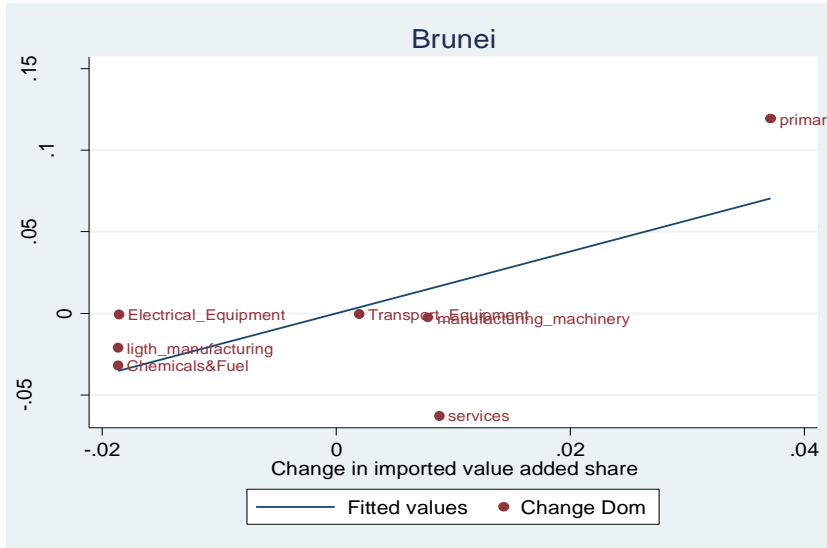
Increasingly inward looking...

Change (2009-1995)

	EU	India	Brunei Darussalam	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	China	Chinese Taipei	Hong Kong, China	Korea	Japan	Aus-NZ	NAFTA	RoW
EU	-6%	-10%	-10%	-21%	-12%	-3%	-6%	7%	-6%	-12%	-6%				-4%	-4%		-7%
India	1%					2%					2%							3%
ASEAN8		2%	5%		9%	7%	7%	-3%								7%		
China	4%	6%	4%	12%	8%	8%	4%	5%	7%	10%		7%	4%	8%	8%	9%	8%	7%
Chinese Taipei				2%						-2%	-3%	-2%						
Hong Kong, China				3%			-2%			-2%								
Korea				2%						-3%		-2%	-2%		-2%			
Japan	-2%	-5%			-10%	-16%	-9%	-10%	-10%		-9%	-5%	-6%	-13%		-7%	-9%	-3%
AUS-NZL											3%							
NAFTA	-1%	-8%		-7%	-3%	-2%	-3%	-3%	-4%	-3%	-5%	-2%		-7%	-8%	-9%	-3%	-4%
Rest of the World	5%	13%		5%	7%	5%	9%	5%	11%	10%	14%	7%	4%	11%	7%	4%	6%	3%



And evidence of complementarities...





Leading to changing global dynamics (i.e. electrical and optical equipment)...

- Big shift from traditional sources (US, JPN, EU) towards Factory Asia.
- Who have lower domestic value added content of exports (EU and NAFTA – 83%)

DOMESTIC VALUE ADDED IN EXPORTS						
	1995	2000	2005	2008	2009	change
ASEAN8	6.4%	6.0%	6.5%	6.9%	7.5%	1.1%
CHN	3.1%	6.0%	13.1%	20.1%	22.0%	18.9%
HKG	1.3%	0.8%	0.4%	0.2%	0.2%	-1.2%
JPN	23.7%	17.5%	15.2%	11.8%	10.9%	-12.8%
KOR	4.9%	4.6%	5.4%	5.2%	5.6%	0.7%
TWN	3.9%	5.1%	6.0%	4.8%	4.9%	1.0%
AUS-NZ	0.3%	0.2%	0.3%	0.2%	0.3%	0.0%
EU	28.6%	24.9%	27.6%	27.8%	25.1%	-3.6%
IND	0.1%	0.1%	0.4%	0.8%	1.7%	1.5%
NAFTA	23.9%	31.8%	20.6%	17.2%	17.0%	-6.9%
ROW	3.7%	3.1%	4.3%	4.9%	4.9%	1.2%

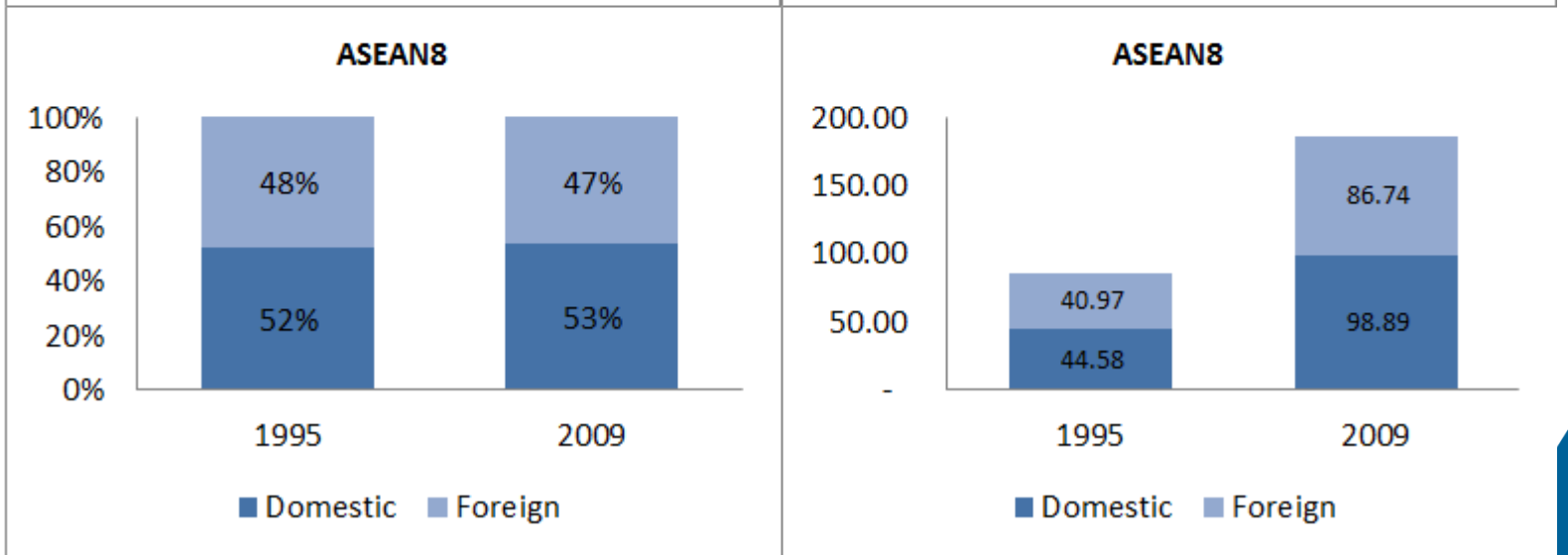
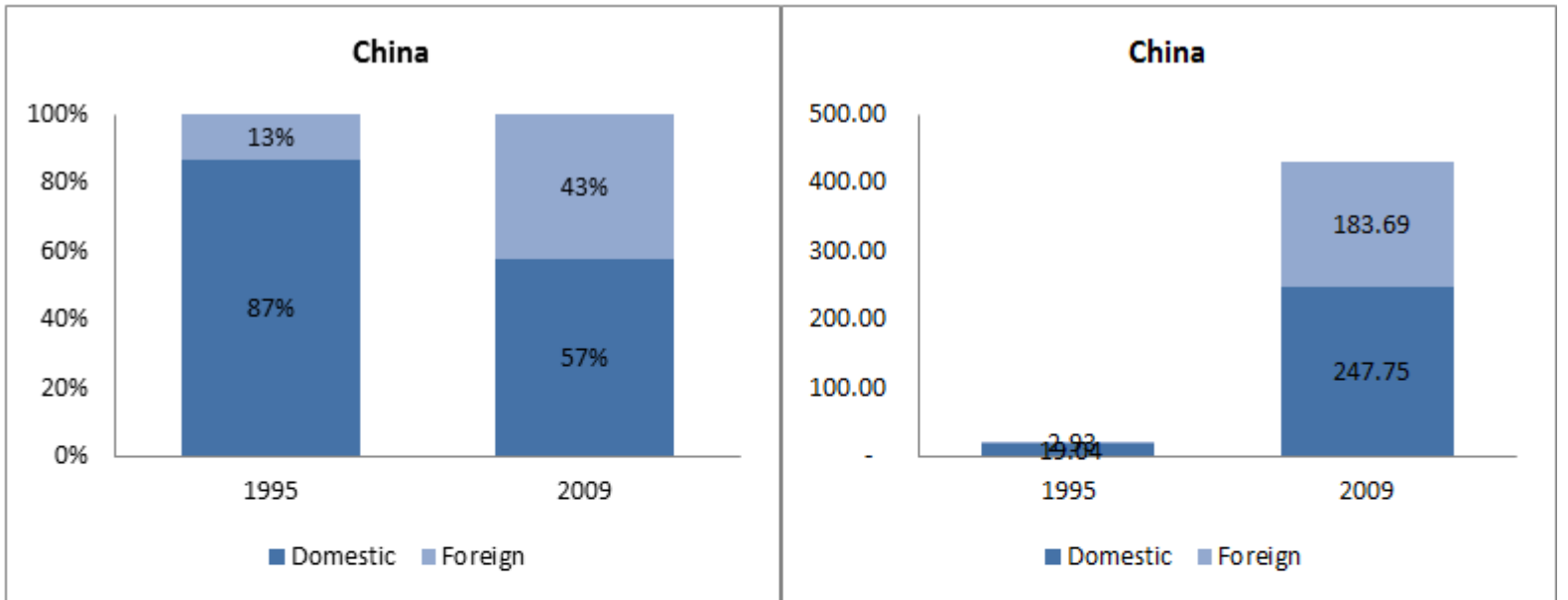


But what is the nature of the product produced?

	2000		2009		Changes	
	EXPY	EXPY-GVC	EXPY	EXPY-GVC	EXPY	EXPY-GVC
ASEAN8	0.94	0.61	0.92	0.71	-0.02	0.09
CHN	0.92	0.82	0.98	0.81	0.07	-0.01
HKG	1.05	0.59	1.01	0.68	-0.04	0.09
JPN	1.00	1.12	1.05	1.24	0.05	0.13
AUS-NZ	1.05	1.03	1.09	1.26	0.04	0.23
EU	1.02	1.06	1.02	1.21	0.00	0.15
NAFTA	1.06	1.26	1.03	1.23	-0.03	-0.03



Shares of pies or growing pies?





What is it about?

- The efficient functioning of GVCs (hence the participation of economies in GVCs) depends on the easy/smooth **circulation of productive resources** within GVCs: goods (final and intermediate), services, capital, people, human capital, technology;
- GVCs are about **imports and exports**;
- **Barriers to import = taxes on exports**
- **Trade facilitation + efficient services**



And what role for RTAs?

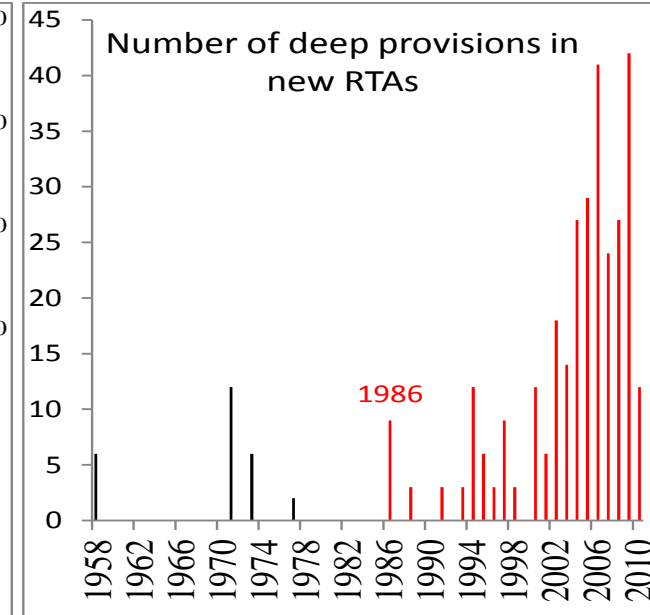
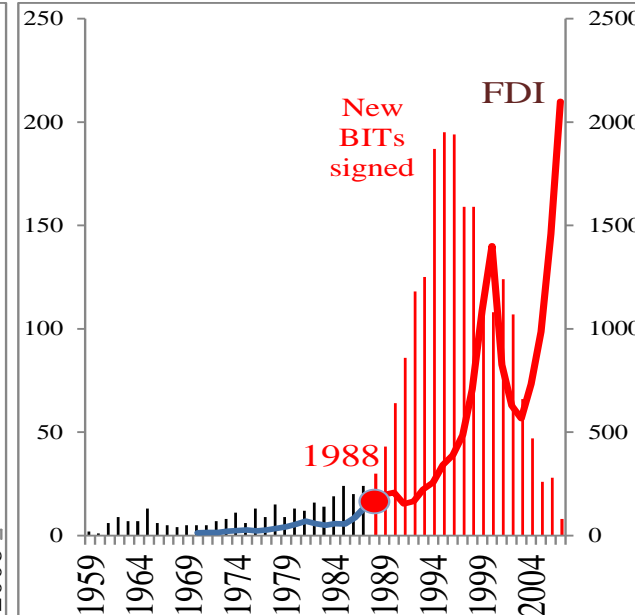
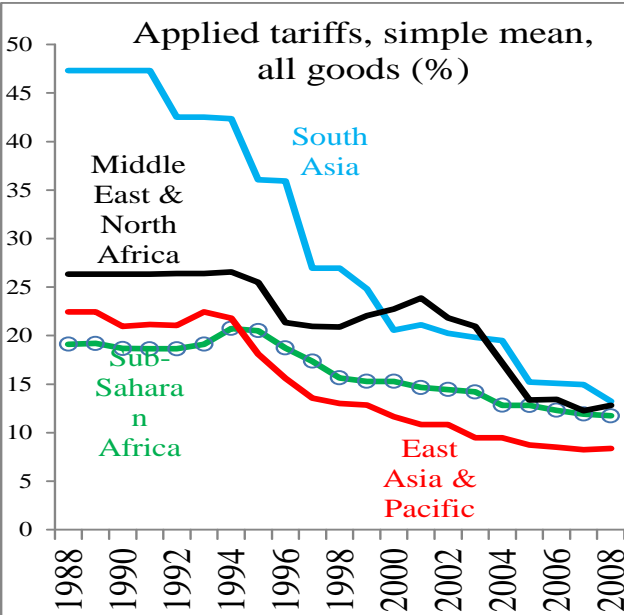
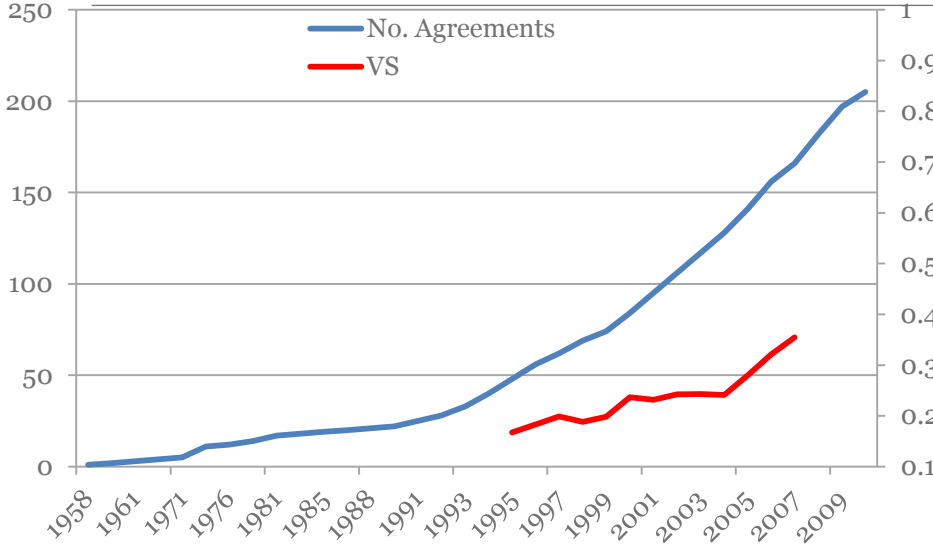
- Economies can gain by reducing trade distortions through RTAs
- RTAs should cover as many industries and economies as possible to be supportive as much as possible of the whole value chain
 - Should be comprehensive and take into account complementarities between trade and other policy areas such as investment, competition and movement of people
 - The centrality of services, including for goods trade should be taken into account
 - Rules of origin may need to be updated
 - Cover all significant partners in the value chain
- Covering a large number of economies and a wide range of barriers involves trade-offs that economies in the region are currently grappling with in the context of negotiations of “mega-regional” agreements.



Evidence?

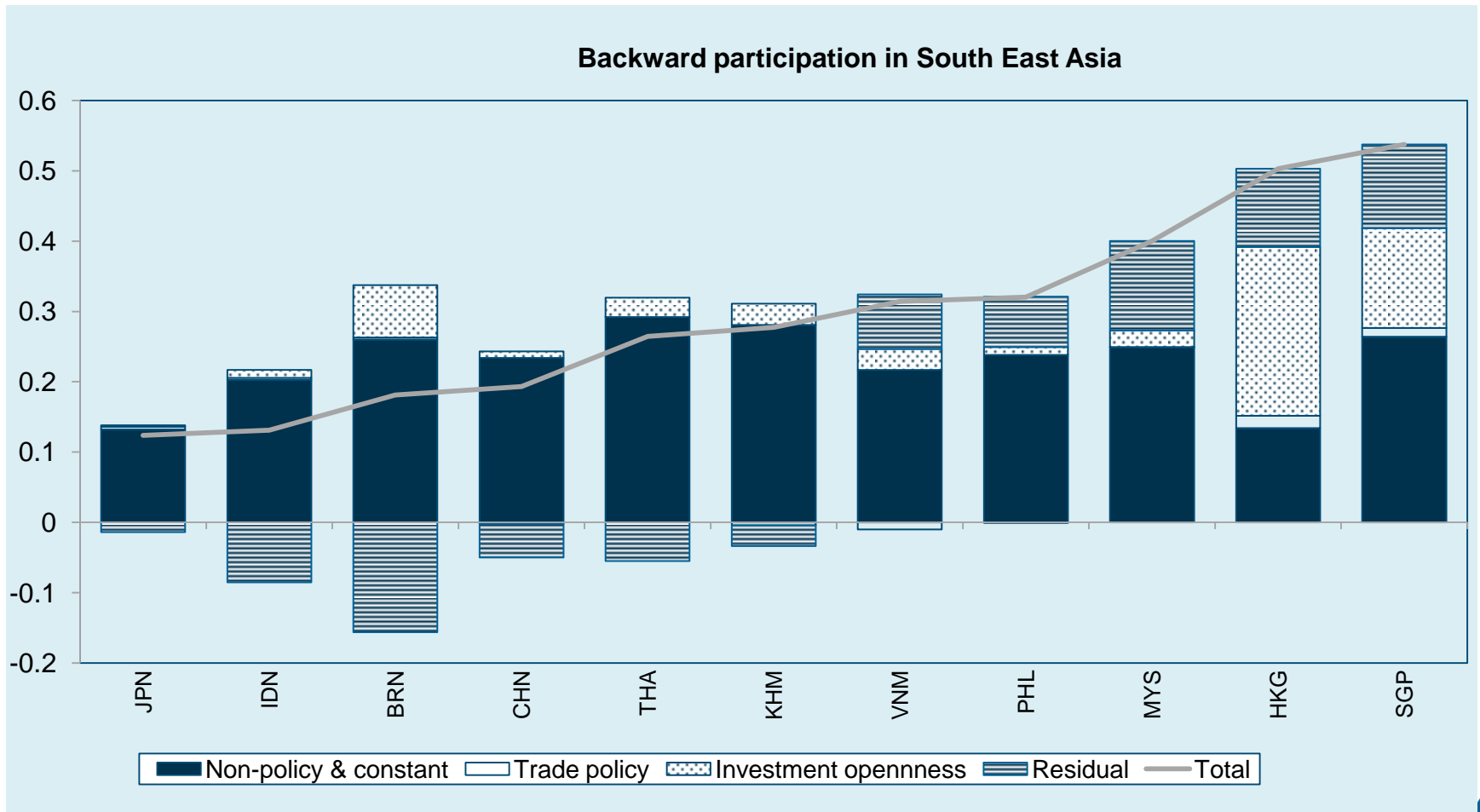
GVC activity on the rise:
Concurrently increase in:

- 1) Number of FTAs and BITs
- 2) Deep provisions in FTAs
- 3) FDI flows
- 4) Unilateral liberalisation





what role for policy in general?





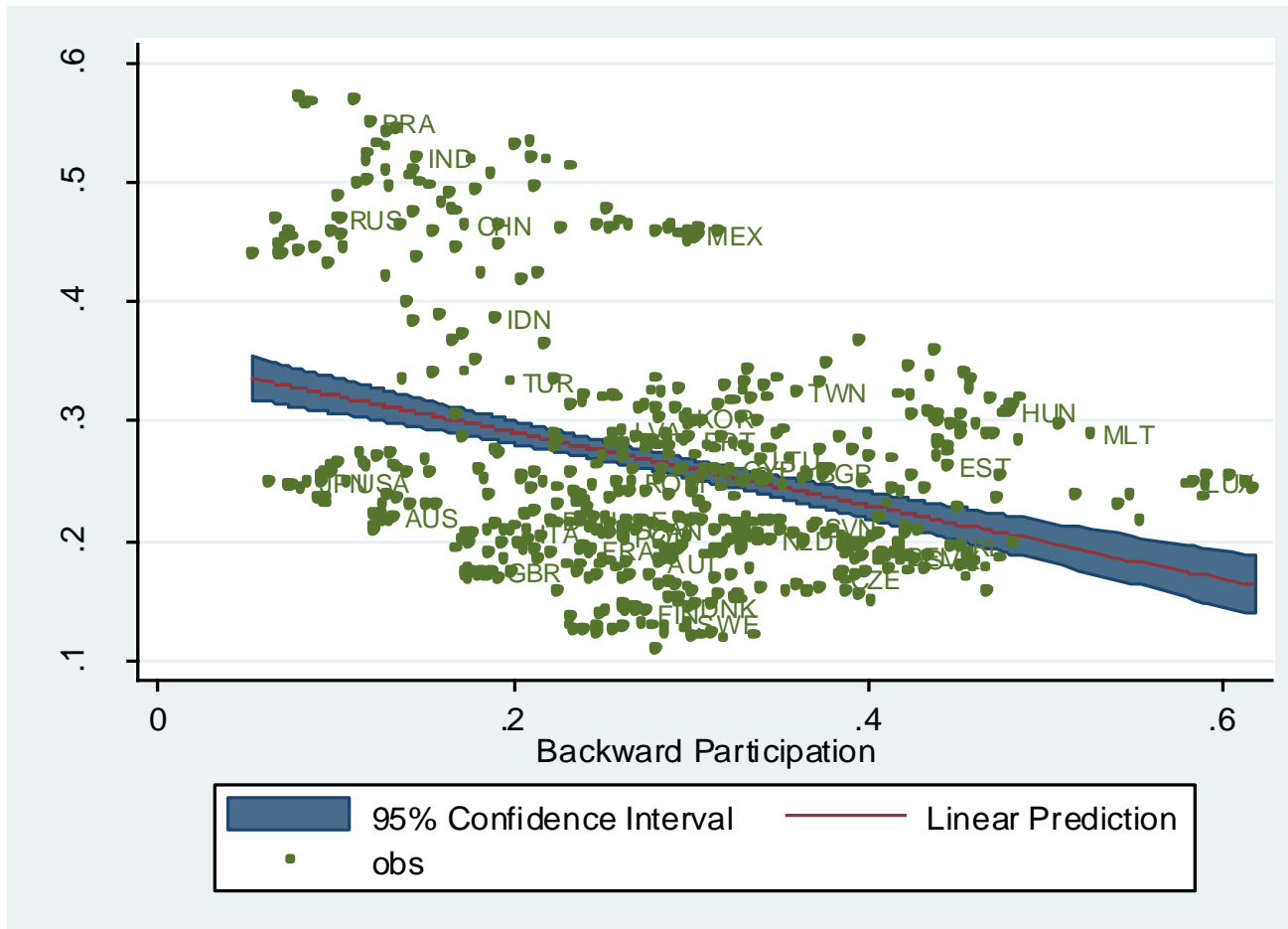
Why is participation important?

	1	2	3
	per capita domestic value added in exports	log of export sophistication	Trade concentration
Backward log of value (lag)	0.0124**	0.192**	-0.232***
	-0.00568	-0.0914	-0.0488
lnIMPYINT	9.427**	6.852**	-4.032**
	-4.288	-3.222	-1.72
lnIMPYINT2	-0.502**	-0.364**	0.211**
	-0.224	-0.169	-0.09
lnIMPYINTPRIM	0.031	-0.0663***	-0.00442
	-0.025	-0.0185	-0.0099
lnFDI_inflow	0.000522	-0.000723**	0.000125
	-0.000458	-0.000342	-0.000183
sh_imp_rta	0.000755	-0.017	0.019
	-0.0351	-0.0261	-0.014
lnWDI_GDP_capita_constant	0.933***	0.205***	0.0542***
	-0.0384	-0.0286	-0.0153
Indist_activity	-2.221***	-0.354	0.347**
	-0.355	-0.264	-0.141
Constant	-31.63	-21.05	15.96*
	-21.24	-15.94	-8.513
Observations	2,050	2,064	2,064
R-squared	0.814	0.374	0.037
Number of rep	152	152	152

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1



And what are its distributional implications?





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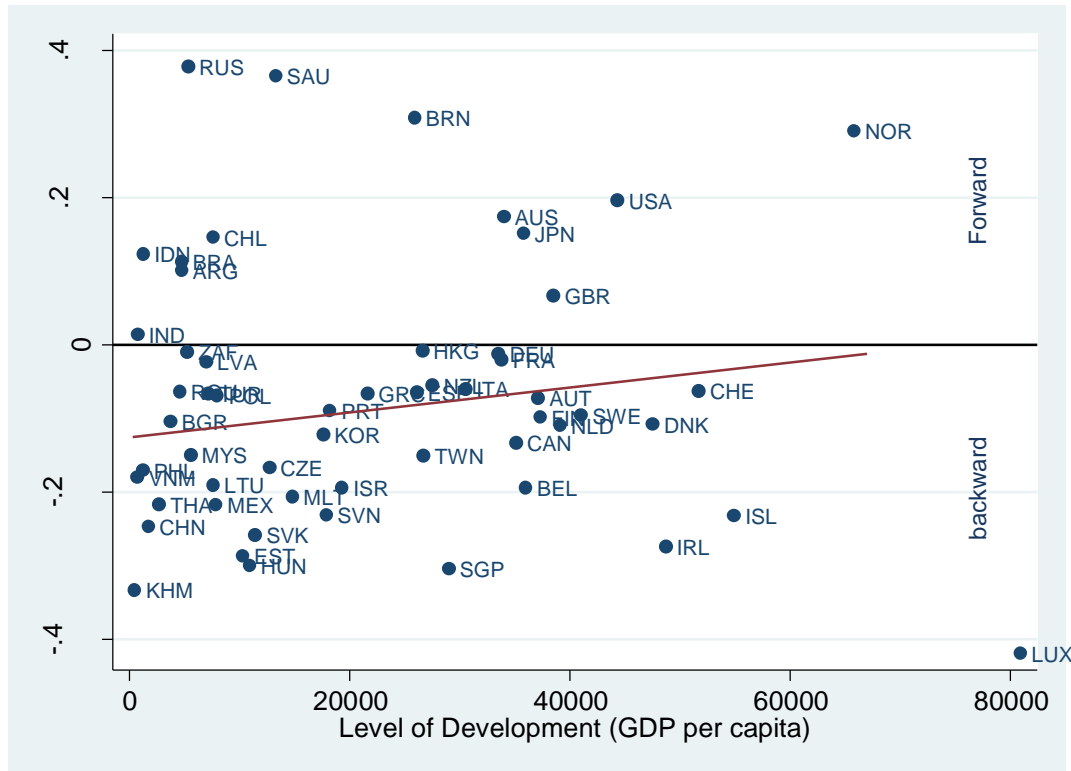
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Levels of development and participation





Determinants of participation (TiVA)

