OECD Ministerial Council Meeting

Trade Session

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Vice Minister Carlo Calenda
Global Value Chains / Trade in Value Added

Dear Madams and Sirs, Dear Chair –

I am a few weeks into my new job coming from a career in the private sector. Thank you for bearing with me in this phase of my learning curve.

Let me share a few reflections on the matters arising from the new Global Value Chains (GVCs) and Trade in Value Added (TiVA) approach to trade measures recently developed by the OECD.

The GVC approach is a unique framework able to show the depth of our global economic linkages.

We think that the GVC approach can help each and every country to better tailor its bilateral trade and promotion policies according to the actual needs of its economic structures, rather than the image deriving from a crude representation of imports and exports.

In terms of policy implications, the new indicators do not suggest the need for an overhaul of our framework for international trade, but suggest the need of perfecting it. The GVC approach reinforces our conviction that both multilateral and bilateral agreements should aim to strong convergence of standard and certification requirements, to the dismantlement of NTBs, to increased access to networks, global markets, capital, knowledge and technology.

Additionally, while global trade happens in a field which is not completely levelled yet, trade defence instruments and the other mechanisms included in bilateral or regional agreements, such as rules of origin, are a crucial component of a balanced global business environment.

I am not an economist, but my persuasion is that we should interpret the GVC indicators not as a static picture, but as a dynamic and evolving process.

In particular, as technology and even production costs tend to converge across countries, there is ground to believe that the scope and direction of “value chains” might change. As “production” becomes a commodity in itself, in many sectors of the manufacturing industry the “chain” might concentrate again in local clusters.

In this respect, the dynamism which is, if you want, inherent in the very concept of GVC, suggests us to pay greater attention to SMEs. At present, within the GVC approach, the analysis of SMEs seems partially restricted to their role as suppliers for MNCs. However, this overlooks the role that SMEs play in innovation dynamics in all those industries in which innovation does not occur through R&D or large-scale laboratory work. In many manufacturing sectors, innovation does not happen in labs, but on the job, as a process of slow and constant improvement and tacit knowledge passed through experience.

For this set of reasons, we should use the new OECD indicators to guide us through the goal we set to reach 20% of GDP in manufacturing by 2020 in Europe. A new emphasis on manufacturing will support economic recovery, deliver much needed new jobs, and it is crucial for a sustainable and sustained economic growth.