Closing remarks and observations

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GLOBAL
FORUM ON
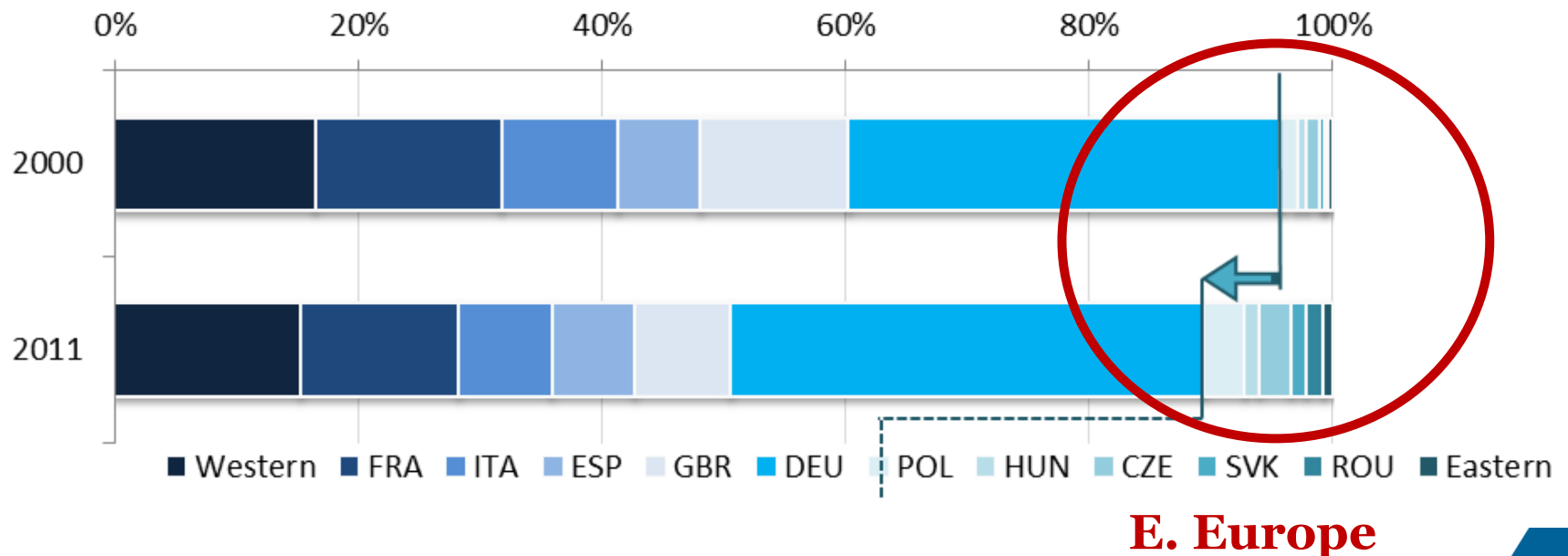PRODUCTIVITY

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BETTER POLICIES FOR BETTER LIVES

Large shifts in the structure of GVCs

- For example, E. Europe is increasingly important source of value added in motor vehicles.

- E. European share of value-added has more than doubled

Share of European value-added for motor vehicles −2000 vs 2011
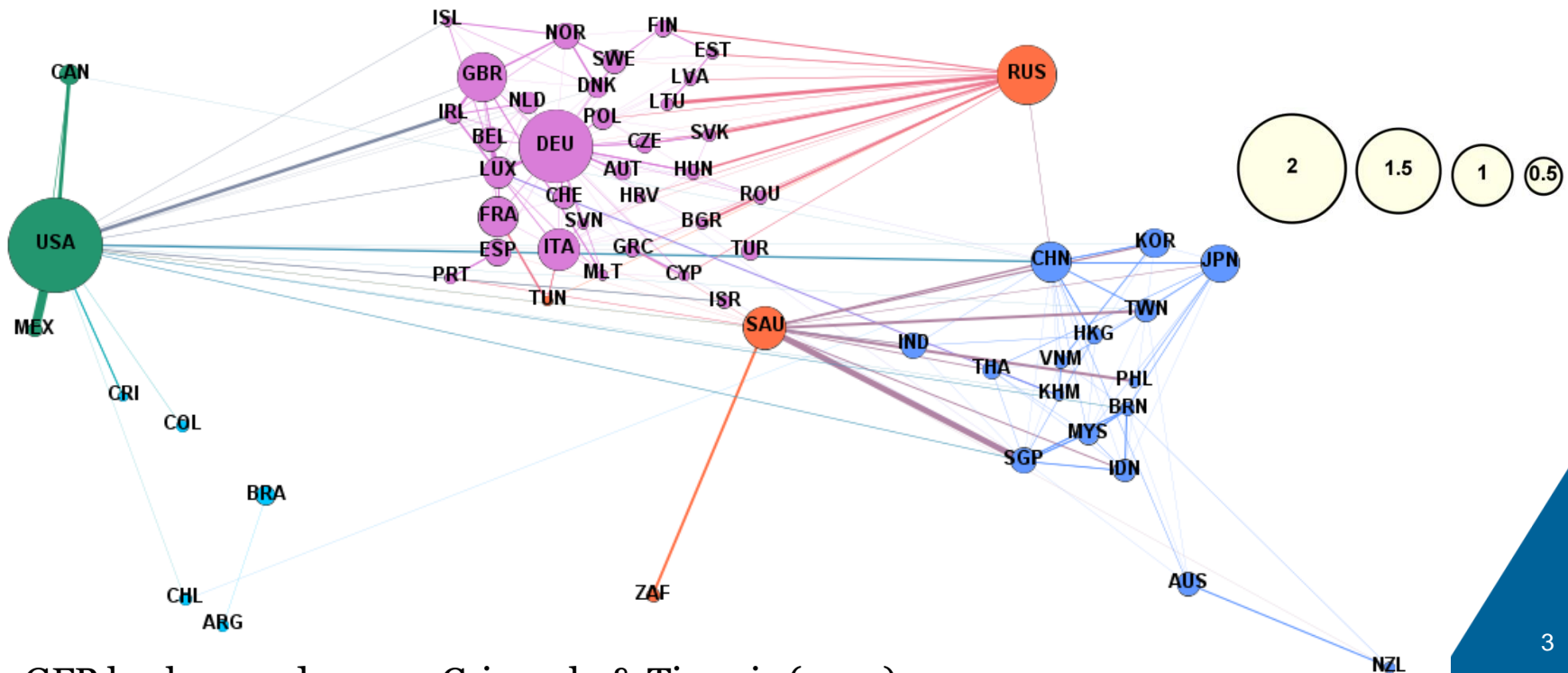

E. Europe

Source: Wiebe & Yamano (2016)

Increasing influence of emerging economies

- E. Europe and emerging Asian economies have become increasingly important to GVCs
  - Unexploited potential of Latin America
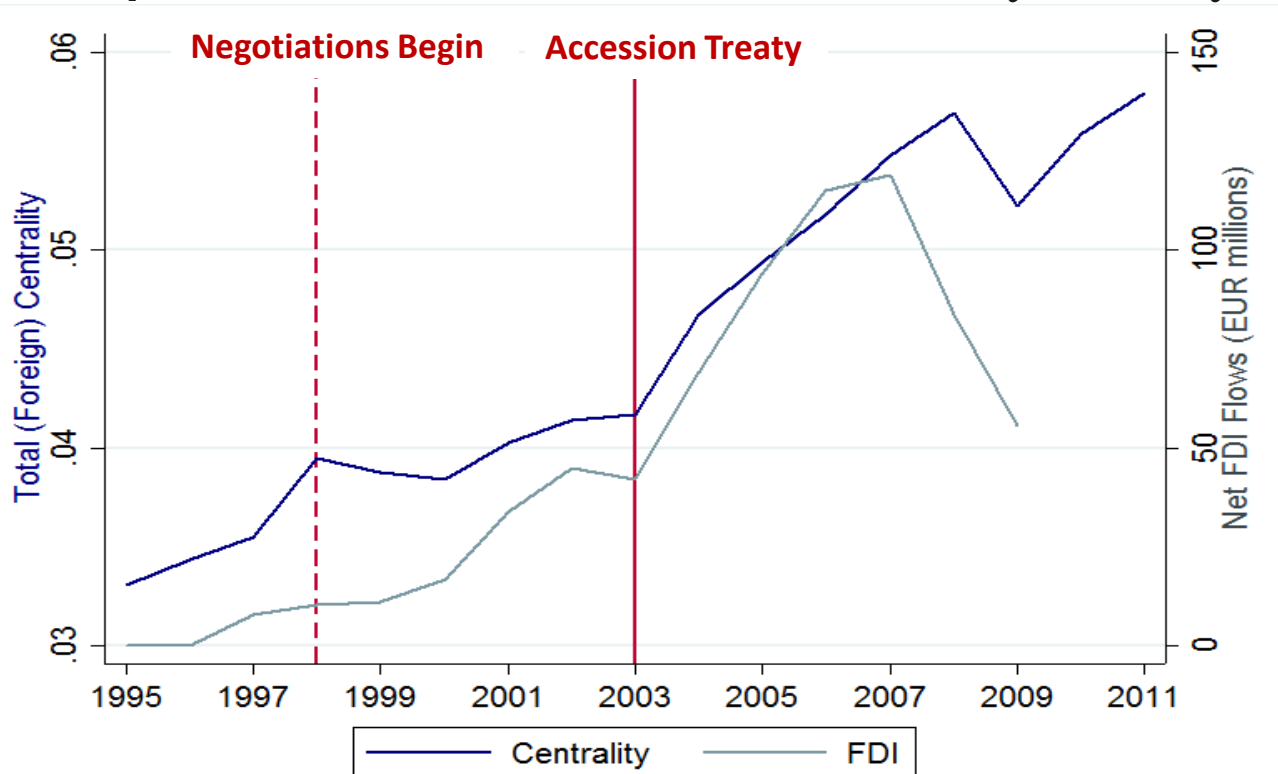

Centrality within GVCs - 2011

Source: GFP background paper -Criscuolo & Timmis (2017)

…is this because of EU enlargement?…maybe…

- Increasing centrality of post-2004 EU Members coincides with timing of their accession
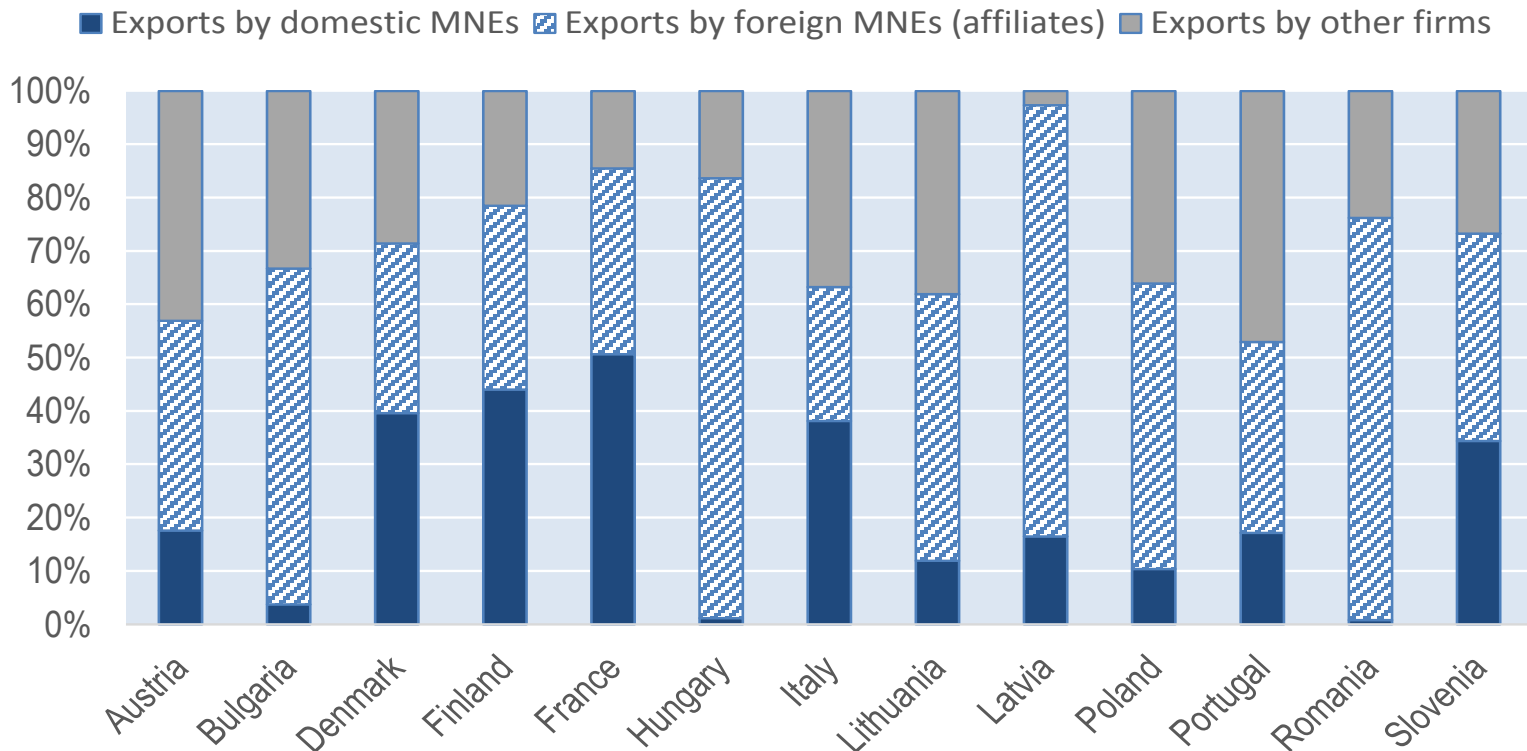
- … And large FDI inflows from MNEs

2004 EU Accession Countries – mean country-industry

Source: GFP background paper -Criscuolo & Timmis (2017)

MNEs are particularly important in E. Europe

- MNEs account for 50%-60% of global exports. Especially in E. Europe, e.g. > 80% of Hungary's exports
- MNEs are at the productivity frontier....generating potential spillovers along the value chain

■ Exports by domestic MNEs ▨ Exports by foreign MNEs (affiliates) ■ Exports by other firms

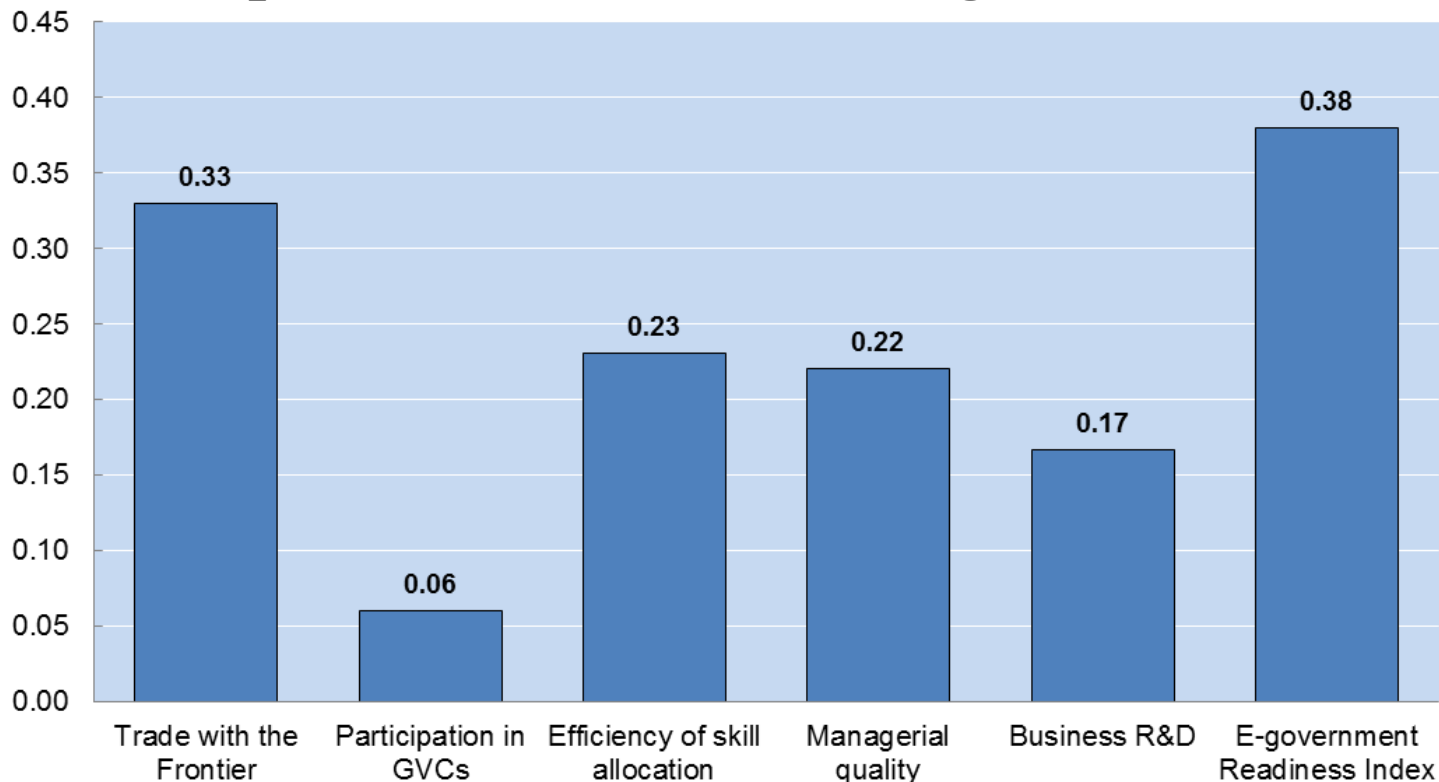Source: De Backer et al. (2017), DSTI/CIIE(2017)1

GVC participation & trade facilitate productivity spillovers

- Spillovers from the frontier depend on GVC participation as well as trade

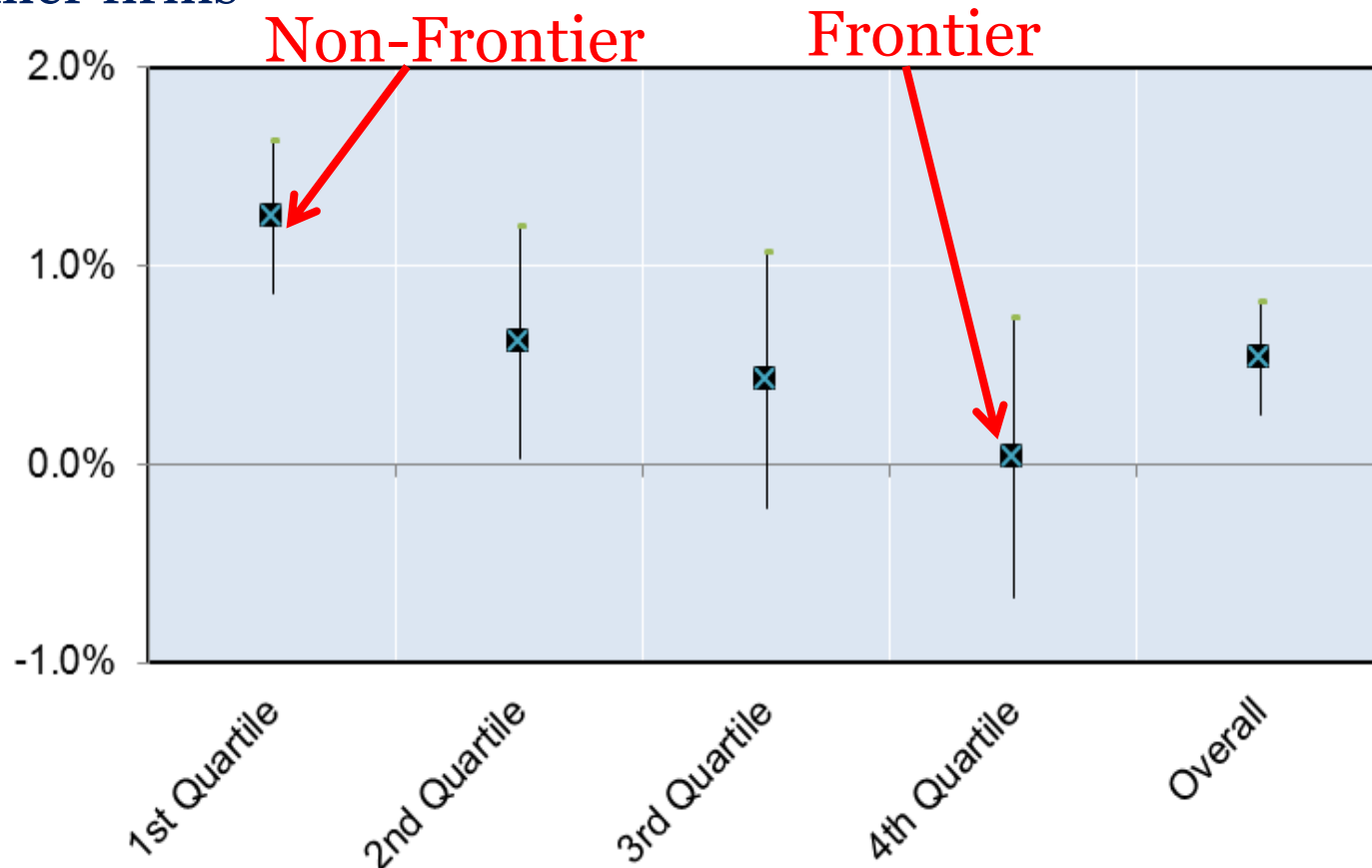...and complementary investments in skills, management, R&D etc.

Estimated Spillover Effect from 2% MFP growth at the frontier

Source: Saia et al. (2015)

But SMEs may benefit the most

- This is not only about MNEs and frontier firms...
- Spillovers from GVCs accrue more strongly to non-frontier or smaller firms

Source: GFP background paper -Criscuolo & Timmis (2017)

Skills are Important for Reaping the Benefits from GVCs

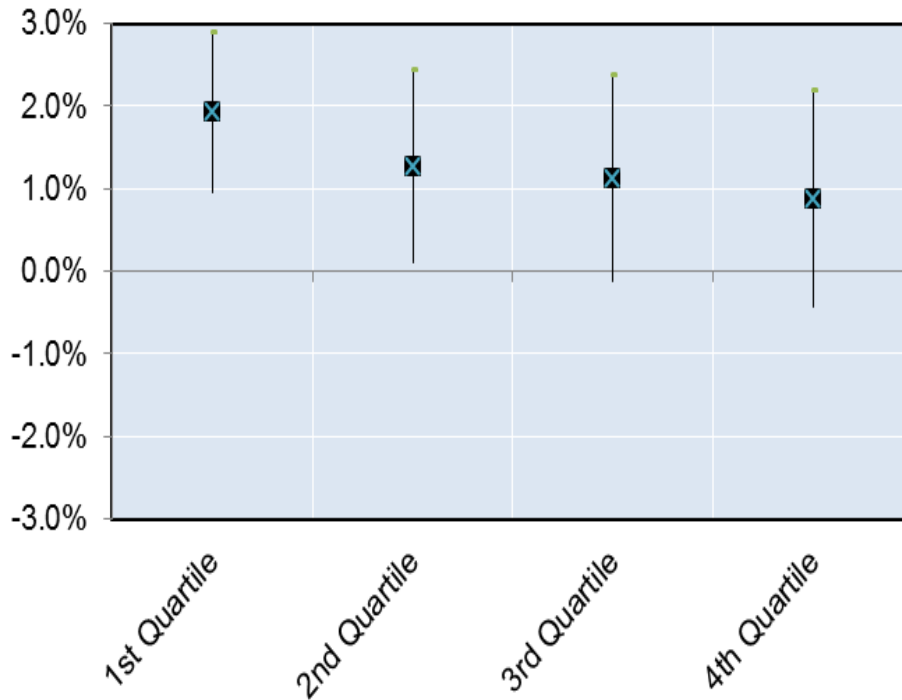- Strong correlation between skills and domestic value-added share of gross exports (a measure of upgrading)

Domestic value added share of gross exports					
Assessed Skills			**Skills from information on tasks performed**		
Literacy	0.25	*	Complex Reading Writing	0.23	*
			Less Complex Reading writing	0.23	*
Numeracy	0.12	*	Complex Numeracy	0.09	*
			Less Complex Numeracy	0.21	*
Problem solving in technology-rich env.	0.24	*	Problem solving on the job	0.12	*
			Complex ICT	0.23	*
			Less Complex ICT	0.27	*

Source: Squicciarini et al. (2016). DSTI/EAS/IND/WPIA(2016)1
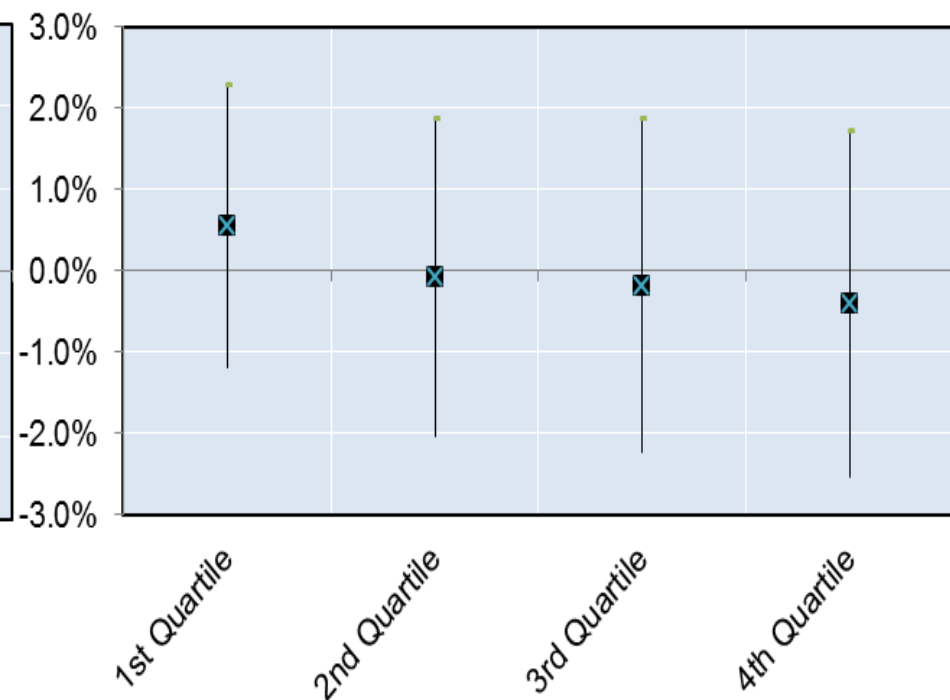
Labour Market Policy also matters for diffusion

- Productivity spillovers to non-frontier firms are stronger in more flexible labour markets

Flexible Employment Regulations
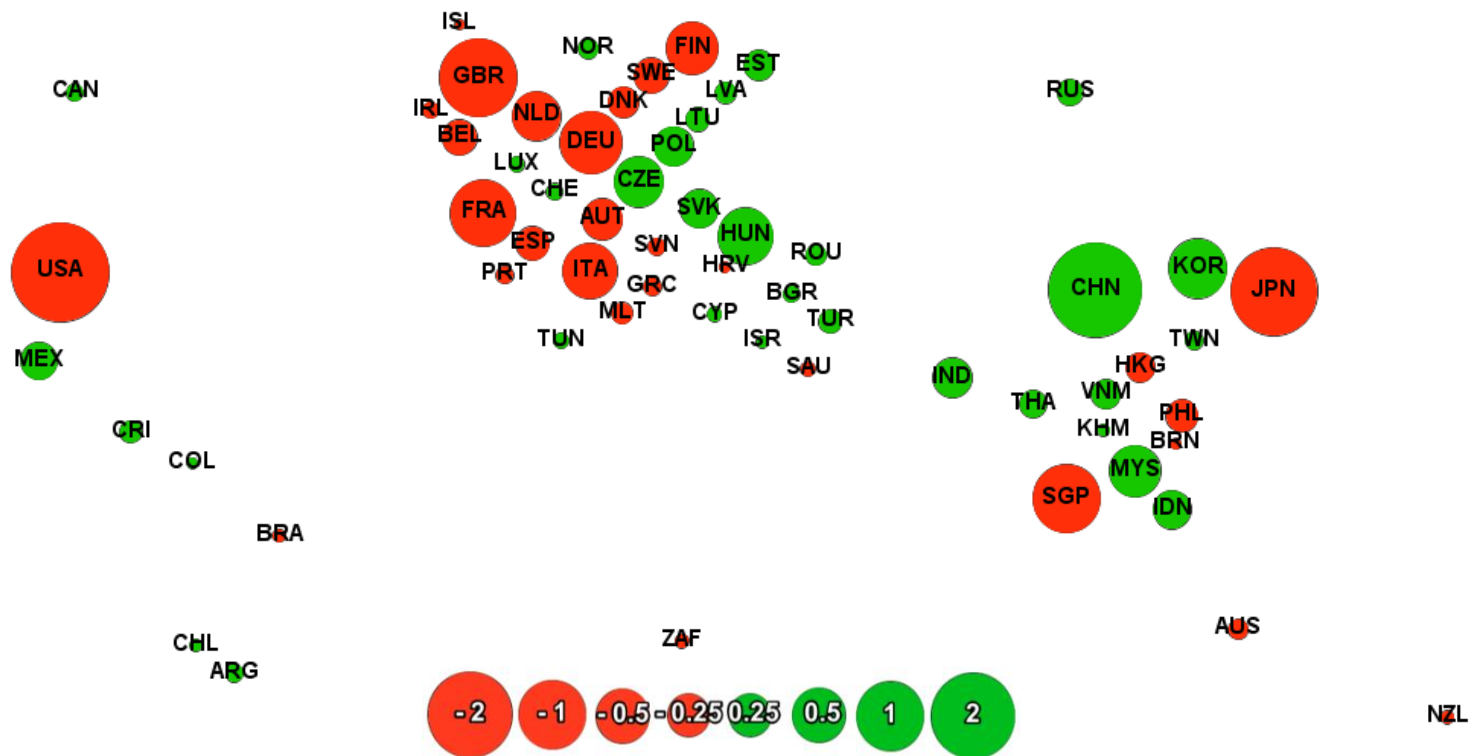
Rigid Employment Regulations

Source: GFP background paper -Criscuolo & Timmis (2017)

Shift Eastwards in IT Manufacturing

- Rising importance of E. Europe & E. Asia
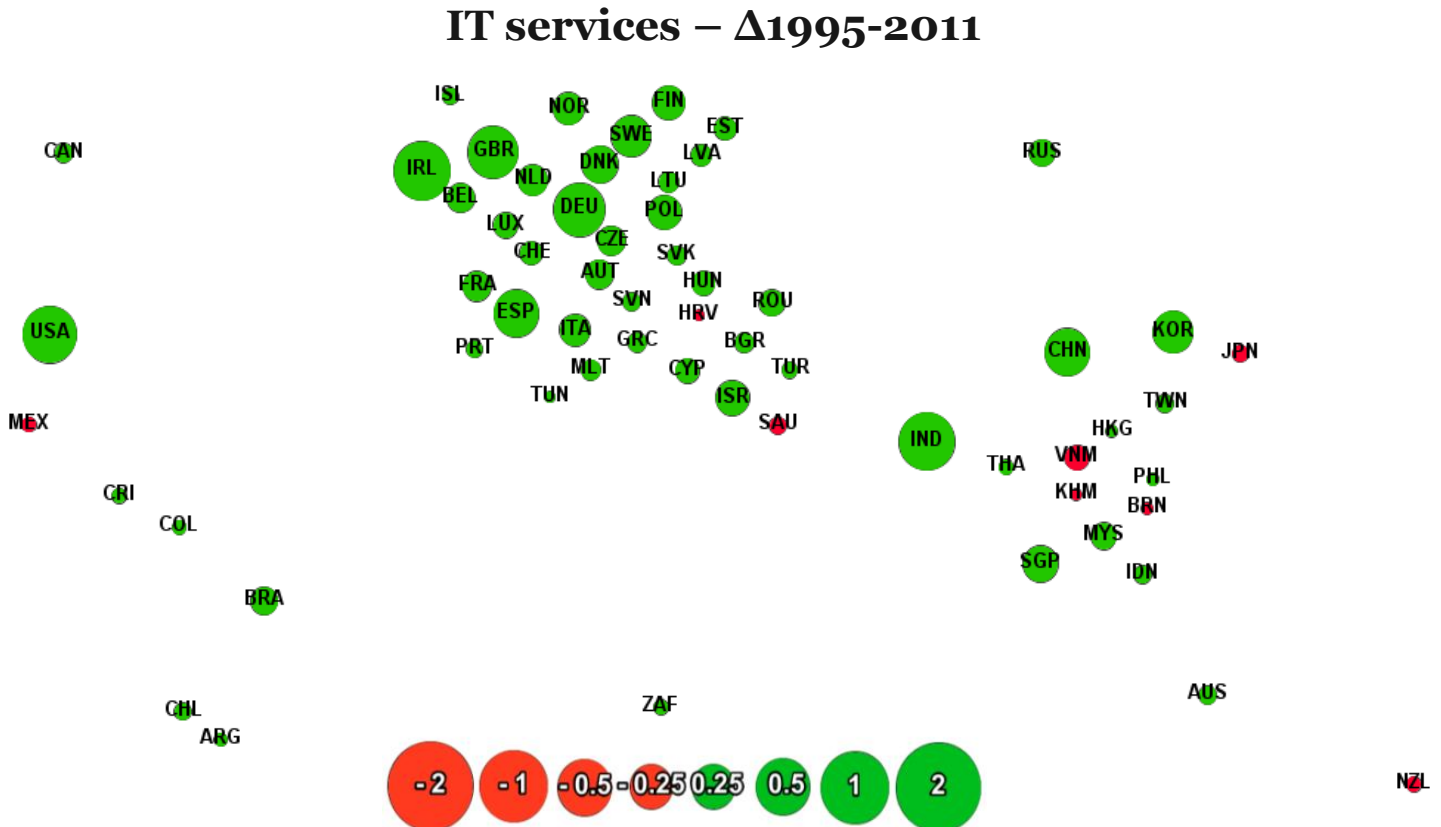- Declining centrality of old centres of production

Computing & electronics manufacturing – Δ1995-2011

Source: GFP background paper -Criscuolo & Timmis (2017)

IT services: increasingly central everywhere
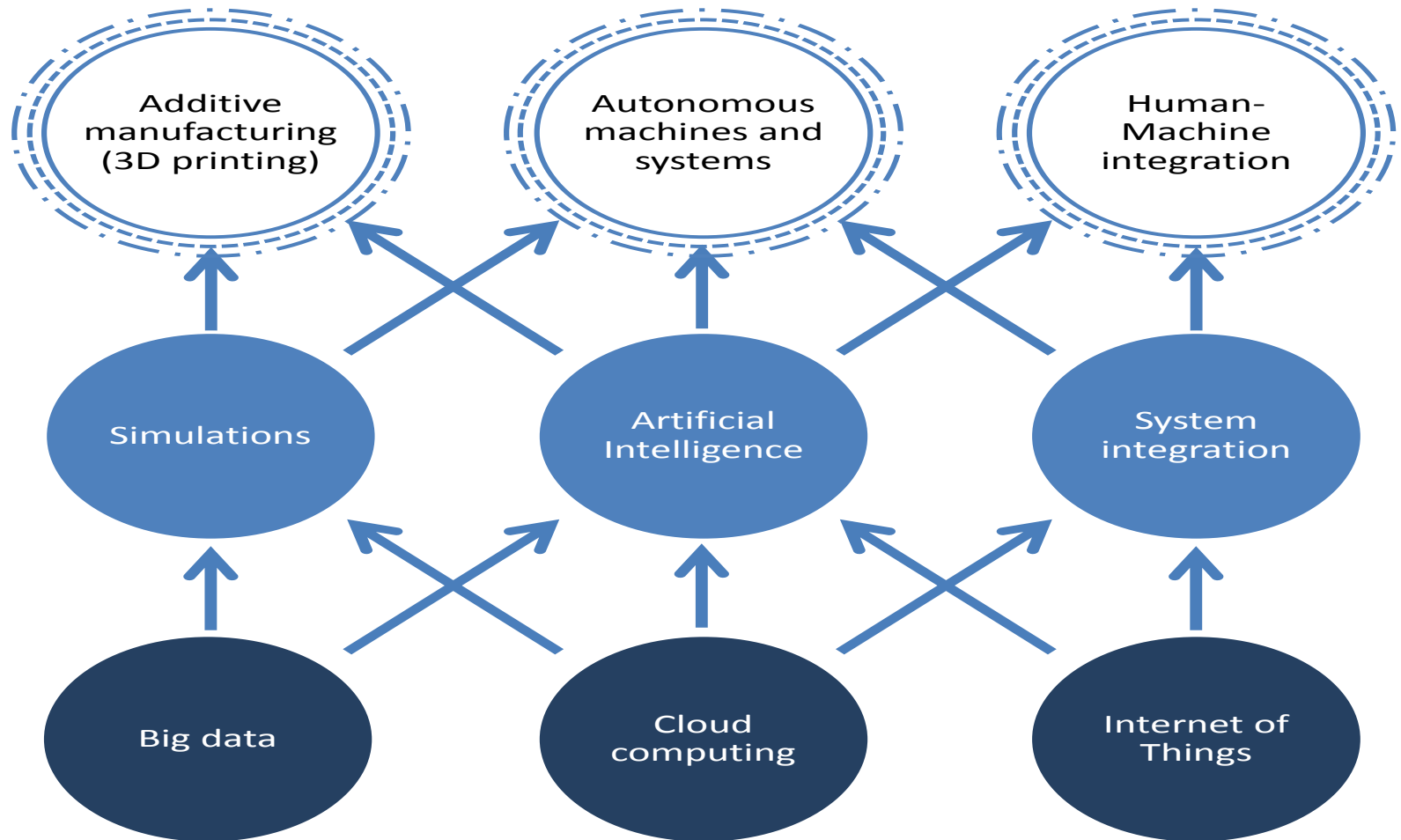
- IT services are increasingly central to GVCs everywhere
  - Not just in OECD economies
  - But also, many emerging economies, e.g. India, China

IT services – Δ1995-2011

Source: GFP background paper -Criscuolo & Timmis (2017)

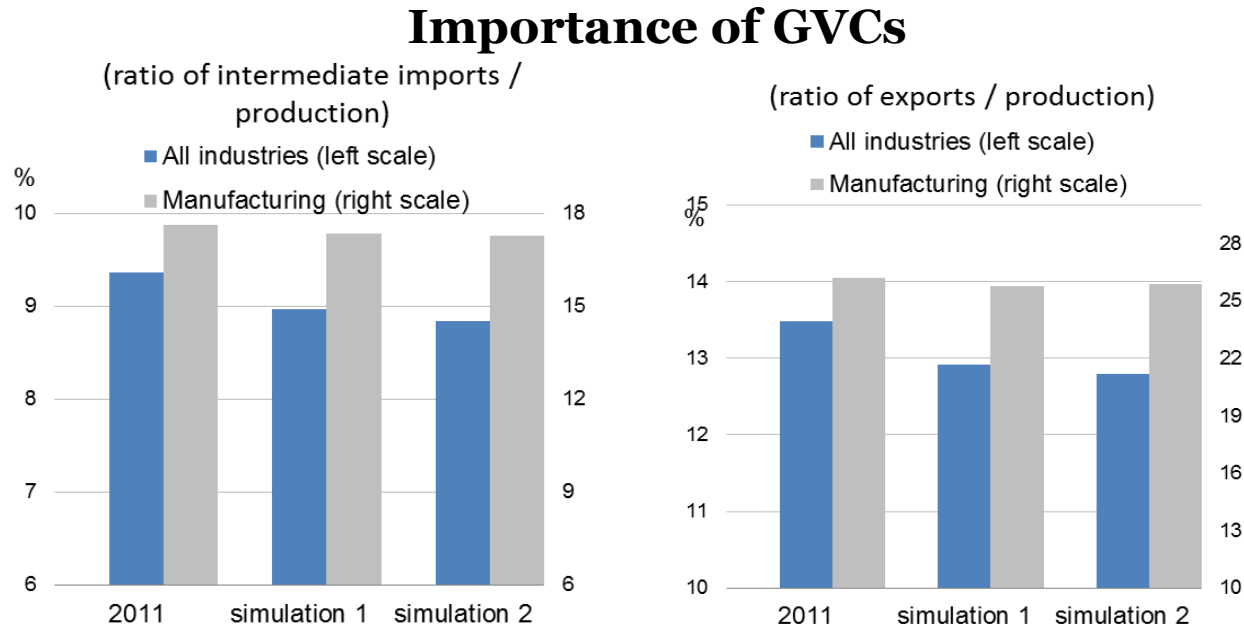# ….underpinned by digital technologies.

What might the future look like?

- Digitalisation of manufacturing may increase domestic sourcing:

Importance of GVCs

- But there are many structural factors, e.g. uncertain policy, rising demand & labour costs in emerging economies

- And disruptive technologies, e.g. machine-to-machine communication, big data

Source: De Backer et al. (2017), DSTI/CIIE(2017)2

When can we discuss this further?

- "Tapping the Productive Potential of a Digitized World" Workshop - September 15th – Berlin

Forward Research Agenda

- **Better understanding the "topography" and what moves GVC;**
  - Emerging economies;
  - Regional blocks (EU);
  - MNE
- **Productivity & GVCs**
  - Skills;
  - ICT services;

Thank you!