OECD WORK ON GLOBAL VALUE CHAINS AND TRADE IN VALUE ADDED

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Workshop on Global Value Chains in Shipbuilding
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The emergence of Global Value Chains
Measurement of GVCs is a challenge

- When a good (or service) crosses borders several times at different stages of processing, conventional trade statistics record each time the full value of the good, including embodied (imported) intermediate inputs.

- Issues:
  1. Multiple counting of intermediate goods and services
  2. Tends to conceal the actual patterns of trade & beneficiaries
OECD work on Trade in Value Added

Decomposition of gross exports

Value added in the country of final production
Value added by first tier suppliers
Value added by second tier suppliers

Foreign value added of world exports

<table>
<thead>
<tr>
<th>Year</th>
<th>1995</th>
<th>2000</th>
<th>2005</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>Value</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>0%</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
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Differences across industries

Foreign value added of exports

Differences across countries (1)

Foreign value added of exports
Differences across countries (2)

Foreign value added of exports, shipbuilding

- 2005
- 1995

Regional or global value chains?

Dominant links between countries, exports of intermediates

Source: Own calculations based on OECD Input-Output Database (September, 2010) and OECD STAN BTD (March, 2010)
Interconnected Economies
Benefiting from Global Value Chains

- CH. 1: The rise of GVCs
- CH. 2: Measuring Trade in Value Added
- CH. 3: GVCs and trade policy
- CH. 4: GVCs and investment policy
- CH. 5: GVCs and economic development
- CH. 6: National competitiveness and GVCs
- CH. 7: GVC upgrading and knowledge based assets
- CH. 8: GVCs and global systemic risk

GVCs and border policies (trade and investment)

- The efficient functioning of GVCs (hence the participation of countries in GVCs) depends on the easy/smooth circulation of productive resources within GVCs: goods (final and intermediate), services, capital, people, human capital, technology;

- No mercantilistic approach: GVCs is about imports and exports; offshoring reinforces export competitiveness

- Barries to import = taxes on exports

- Trade facilitation + efficient services

- Trade and investment liberalisation:
  - Multilateral vs regional vs bilateral agreements
  - Broad coverage
GVCs and the competitiveness of national economies

- Rising leakage of domestic stimuli and support packages
- Competitiveness increasingly depends on exports and imports; offshoring/outsourcing reinforces countries’ competitiveness.
- Old-style support policies ignore the interconnected nature of production in GVCs and the need for international competition and openness. Moreover, they raise risks of protectionism.
- ‘What you do’ matters more than ‘what you export’; focus on activities/functions instead of products/industries
- The manufacturing of goods remains a core activity in GVCs and it increasingly drives on efficient services.
- Competitiveness in GVCs involves strengthening production factors that are "sticky" and not susceptible to movement across borders - importance of knowledge based capital

Competitiveness – knowledge based capital

The smile curve, electronics

Source: based on Shih (1992), Dedrick and Kraemer (1999) and Baldwin (2012)