Made in the World and Trade in Value-Added:
New Opportunities for Export Diversification

Hubert Escaith, WTO
Global Value Chains: from trade in goods to trade in tasks

Outline of the presentation

• International fragmentation of the supply chain and the changing nature of World Trade

• Quantitative implications:
  • *The rise of trade in intermediate goods and services along “Global Value Chains”*
  • *The growing importance of developing countries as production centres and the rebalancing of world trade*

• Qualitative implications:
  • *From trade in goods to trade in tasks: rising role of industrial and business services*
  • *From B2C to B2B*
  • *The “trade-investment” nexus*

➢ New markets, new players: implications for Export Promotions
Trade in the 21st century: a New Business Model

From « trade in goods » to « trade in tasks »

International Out-Sourcing and Off-Shoring:
Extension of sub-contracting practices at global level, the role of intra-firm trade

Foreign Direct Investment and Intra-Firm Trade:
Geographical diversification as part of firms’ strategy.

Role of Regional Trade Agreements in promoting this trend

Preferential agreements to facilitate trade and investment: multiplication of preferential rules of origin
How to measure it? Why?

From case studies...

... To the OECD-WTO TiVA database
- Decomposition of the value-added embodied in gross exports by:
  - Country of origin
  - Sector of origin

OECD TiVA Web Page
www.oecd.org/trade/valueadded

WTO Made in the World Initiative:
http://www.wto.org/miwi
What have we learned so far?

1. **Imports** (of intermediate goods) make exports
2. **New trade opportunities** are created by this trade in intermediate products, this opens new opportunities for **export diversification**
What have we learned so far? (cont.)

3. World Trade rebalances and new markets develop creating additional opportunities for export diversification.
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Developing countries are the most dynamic markets for (non fuel) intermediates.
What have we learned so far? (cont.)

4. Trade in varieties: industries are competing on different market segments creating additional opportunities for export diversification in niche markets.

For same products (here high technology) exporters specialise in different segments of Quality and Price.

Based on data from OECD.
The qualitative dimensions: the «servicification» of world trade

From B2C to B2B: inter-industrial trade promotion

• Promoting exports in a B2B context has important implications:
  • Long term perspective
  • Reputation (certification, peers’ recognition)
  • Multidimensional dimension of «quality»: industrial norms, business practices, JIT and zero-default, CSR
  • *Low prices cannot (always) compensate for low quality*

➢ Promoting exports of goods in a GVC context is very much like attracting foreign investment or promoting services exports

We should not forget that services make for about 45% of the value-added that is traded internationally