Global value chains and Competitiveness Assessments - Some lessons learned

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Trade Competitiveness Assessment

**Policy oriented**: focus on support to regions and country teams working on trade and competitiveness.

Products: (i) **indicators** to raise awareness; (ii) **toolkits** to support comprehensive, systematic analysis; and (iii) **analytical work** on specific policy issues, such as **SEZs, FDI spillovers, lagging regions**.

Broad thematic coverage, including **diversification, GVCs, FDI** – “umbrella” pillar working closely with other unit pillars.

Extensive use of **firm-level data**, to link trade outcomes to determinants, and **operationalizing cutting edge research** on firm heterogeneity and exports.

New Global Practice T&C.
Trade Competitiveness Diagnostic

Comprises a set of tools that facilitates a systematic assessment of a country’s position, performance, and capabilities in export markets. The TCD includes two components:

- **Trade Outcomes Analysis**: a quantitative and qualitative analysis of historical trade performance along 4 dimensions (growth, diversification, quality and survival)

- **Competitiveness Diagnostics**: cover a broad set of factors that impact trade performance, organized around the incentive framework for trade, factor inputs and trade infrastructure

Applied in ~40 countries from all regions, supporting country economic reports, Diagnostic Trade Integration Studies, stand alone papers.
Global value chains

Global Value Chain (GVC) Analysis seeks to examine the full range of activities involved in bringing products from concept to end user. This range of activities can all take place within one firm, or spread among various geographically spread actors. Understanding how these value chains are governed, how value is spread among the firms involved and the nature of transactions from one stage to the next can yield important lessons for development practitioners.

GVCs can be thought of as factories that cross international borders. This means that producing high quality goods and services in GVCs involves more than trading goods and services – it also entails cross-border movement of know-how, investments and human capital. (Taglioni and Winkler 2014).
Global value chains

• Developing countries can now industrialize by joining GVCs instead of building their own value chain from scratch, as Japan or South Korea did in the 20th century (Baldwin, 2012).

• The result is that the flows of goods, services, people, ideas and capital are interdependent and need to be assessed jointly.
Global value chains

From a practical point of view, integrating GVCs in trade competitiveness assessments requires recognizing:

- The way to “read” export performance has to be adapted
  - Trade outcomes analysis to incorporate increasingly value added trade, based on inter-country I-O tables
  - Identifying and separating out trade in “customized” intermediaries versus “generic” products or commodities (Sturgeon and Memedovic 2011)

- Assessment has to necessarily incorporate more sector-specific dimensions (including services)
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<td>Entering GVCs</td>
<td>Attracting FDI and/or facilitating domestic firms’ entry into GVCs</td>
<td>Creating world class GVC linkages</td>
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<td></td>
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<td>• Entering GVCs through SEZs</td>
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<td>Expanding and strengthening GVC participation</td>
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<td>Strengthening domestic firms’ absorptive capacity</td>
<td>• Maximizing the absorption potential of local actors to benefit from FDI spillovers</td>
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Global value chains

• From a policy perspective, countries have to contemplate multiple objectives (consecutive?): linking to GVCs, upgrading in GVCs, strengthening domestic linkages

• Take into account risks (Cattaneo et al 2013).
Global value chains

- Private sector development agenda (aka SME agenda) has to change emphasis.
- Incorporate more GVC trade specific barriers (e.g. private standards, see Cattaneo et al 2013);
- More emphasis on
  - trade costs (fixed costs)
  - Connectivity; and
  - regional integration