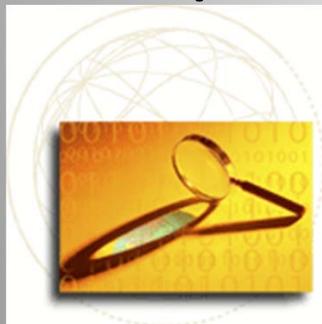


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(some) Facts and Implications for Trade Policy





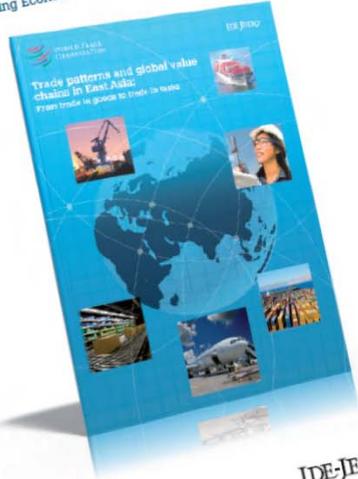
SEEKING ANSWERS TO GLOBAL TRADE CHALLENGES



Based on the findings from 3 recent reports

TRADE PATTERNS AND GLOBAL VALUE CHAINS IN EAST ASIA:

From trade in goods to trade in tasks
A new co-publication by the World Trade Organization (WTO) and the Institute of Developing Economies - Japan External Trade Organization (IDE-JETRO)



World Trade Report 2011

The WTO and preferential trade agreements: From co-existence to coherence

- » What are the current trends in preferential trade liberalization?
- » Why is deep integration gaining momentum?
- » What are the patterns of trade liberalization?



Measuring international trade in value added for a clearer view of globalization

Proceedings of a joint conference by the Senado Finance Commission and the Secretariat of the World Trade Organization (WTO) held in Paris on 15 October 2010.





1. Some facts when measuring trade in value added:

- **Most bilateral surpluses and deficits are reduced.**

Large bilateral deficits/surpluses are reduced. But measuring trade in value added does not affect the global trade balance of an economy.

- **Sectoral comparative advantages.**

How much of exported goods depends on other sectors of the economy? Identifying new comparative advantages (services), diluting older (manufacturing).

- **Employment.**

Measuring the indirect sectoral contribution indicates how many jobs in other sectors (e.g., services) are attributable to exports by industry.

- **Reduces the weight of regional trade.**

Double counting: Vertical trade is more frequently conducted with neighbouring countries, to reduce costs or to benefit from cultural proximity.



2. National Policy Implications

- **Measuring competitiveness.**

Competitiveness also depends on the competitiveness of (i) other domestic sectors, and (ii) of inputs imported into the country.

Reducing transaction costs (tariffs, transport and communication, red tape) greatly improves competitiveness.

- **Measuring comparative advantages.**

Comparative advantages based on export structure are blurred: Increases in extensive margins should be analysed with regards to the import content of exports. But Global Value Chains offer potential for upgrading.

- **Designing trade policy.**

Conduct of effective government policy requires knowledge of where value added is located.

Interdependence of countries and sectors: protectionism is useless and costly.



2.b Multilateral Policy Implications

- **Many Global Value Chains are regional.**

Negotiating regional trade agreements (RTAs) is often more about harmonizing regulatory systems than lowering tariffs.

- **Economic cycles.**

The overlapping of production processes gives rise to highly interdependent cycles.

- **Improving world governance.**

Reassess the offensive and defensive interests of countries and group of countries *vis à vis* the rest of the world.

Avoid large divergence between RTAs and the multilateral trading system.

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Facts and Implications for Trade Policy

