

Key Messages and Findings

- The global slowdown in trade integration is not uniform. While the global value chain (GVC) participation of past drivers of integration, such as the People's Republic of China (PRC), has plateaued, GVC sectors are fueling growth in other economies, including Bangladesh (textiles) and Viet Nam (electricals).
- Because GVCs are typically measured as a subset of exports, the domestic sales of multinational corporations via their local affiliates are treated as a non-GVC activity, and this “missing” activity is considerable.
- Global value chains provide a new model for exporting services of intangible assets. Factoryless manufacturers are a major group of players actively engaging in this trade.
- Conventional trade statistics do not capture exports in the services of intangibles via GVCs. These statistics therefore substantially underestimate the actual exports of developed economies and distort the trade balance between them and developing economies.
- Using a new concept—trade in factor income, which includes trade in intangible assets—as a measure, the PRC's trade surplus with the United States would be 32% lower.
- Firms in developing economies may not be able to benefit from GVC-mediated access to foreign research and development because of their low absorptive capacity and the highly specialized nature of this knowledge.
- For developing economies to create jobs, specializing in labor-intensive assembly activities along GVCs could be more beneficial than targeting sophisticated production stages.
- New entrants can upgrade along value chains by sourcing core technological modules (or acquiring the know-how to build them) from foreign multinational corporations and specializing in higher value-adding tasks, such as brand marketing.
- The rise of services GVCs offers a new path for development—akin to manufacturing GVCs—that can boost economic growth and generate well-paying jobs.
- To support integration into services GVCs, policy makers need to tackle obstacles to increasing educational attainment, since services GVCs depend more on human than physical capital.

- Compounding geopolitical, environmental, COVID-19, and cyber risks are compelling incentives to increase investment in making GVCs more resilient, especially through digitalization and automation.
- More extreme inward-oriented geopolitics fueled by protectionist populism could not only lead to further GVC decoupling but also heighten environmental and pandemic risks. Inward-oriented strategies emphasize risks from—rather than risks to—GVCs.
- Reducing meta-risks to GVCs requires outward-oriented strategies that are environmentally sustainable and market-oriented, and committed to labor protection, multilateralism, peaceful exchange, nondiscrimination, reciprocity, and transparency.
- Digital platforms are changing who participates in GVCs through increased modularization and reductions in communication costs, bringing in new players from developing economies and supporting the GVC participation of micro, small, and medium-sized enterprises.
- Digital platforms pose regulatory challenges, especially in their tendency toward consolidation. These challenges can reduce access by smaller players to the benefits of the digital economy.