GLOBAL VALUE CHAINS – SELECTED POLICY ISSUES

Workshop ‘Revisiting trade in a globalised world: Global Value Chains and their impact’
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Slicing up firms’ value chains through outsourcing and offshoring...
... gives rise to Global Value Chains

- International production networks; dispersion of production stages across countries
- Networks of activities, firms (MNEs and local firms), industries and countries
- Global flows of goods (final and inputs), services, capital, people, technology...
- Hence, policy implications are very diverse
- Focus in this talk on:
  - Employment
  - Trade and competitiveness
  - Capturing value – moving up the value chain
Perceptions about employment impacts of GVCs (in OECD countries)...

- ‘Offshoring of employment’
- ‘Exports are good, imports are bad’
- ‘GVCs at expense of unskilled in OECD countries’
- ...
China = ‘Factory of the world’?...

Manufacturing employment in China (millions)

Source: OECD estimates, based on National Bureau of Statistics.
Top manufacturers in the last 20 years, market share (%) in 1990, 2000 and 2009

Source: OECD (2011)
GVCs and employment is a complex issue

- Losses are visible and concentrated, gains often more hidden and diffused.
- Small impact on aggregate level of employment, larger on composition (‘winners and losers’).
- Offshoring leads to lower costs, higher productivity... and hence to extra jobs.
- Offshoring and trade in tasks: no massive job losses (OECD, 2011).
- International specialisation = international division of labor.
- Re-allocation of resources within countries: importance of labor market regulations.
Growing imports of intermediate goods...

Intra- and inter-regional imports of intermediate goods (Billion USD, 2005)

Import content of exports, 1995

- CAN: 31.6%
- USA: 9.5%
- MEX: 42.5%
- EU15: 10.2%
- CHN: 15.2%
- JPN: 8.4%
- Other east & south-east Asia: 19.5%
- Rest of the world

Source: OECD (2011)
Import content of exports, 2005

Source: OECD (2011)
The importance of regional integration

Import content of exports, by geographic origin, 2005

Source: OECD (2011)
Trade barriers could become very detrimental for competitiveness

- Import tariffs = taxing exports
- Increase costs of intermediates
- Endangers export competitiveness
- Firm closures and job losses

Importance of open trade

Trade of intermediates for integration into GVCs
Capturing value through high technology?

BRIICS manufacturing trade by technology intensity, 1995-2005

High-technology accounted for 30% of total BRIICS manufacturing trade in 2009

Source: OECD (2011)
China specialised in high technology

Export specialisation

Source: OECD (2011)
China - Moving up the value chain? (1)

Export specialisation and intermediates imports, China manufacturing industries

Source: OECD (2011)
China - Moving up the value chain? (2)

Export quality and intermediates imports’ quality, China manufacturing industries

Source: OECD (2011)
Exports by end use, 2009

Value of total exports, billions of USD, current exchange rates

Source: OECD (2011)
Policy issues

• Aggregate data hide the actual pattern
• Importance of imported intermediates
• Less direct competition with OECD countries
• Vertical specialisation instead of sophistication
• Capturing the value and moving up the value chain
  • Innovation
  • Intangible assets
  • ...
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