

Global Value Chains and Competitiveness

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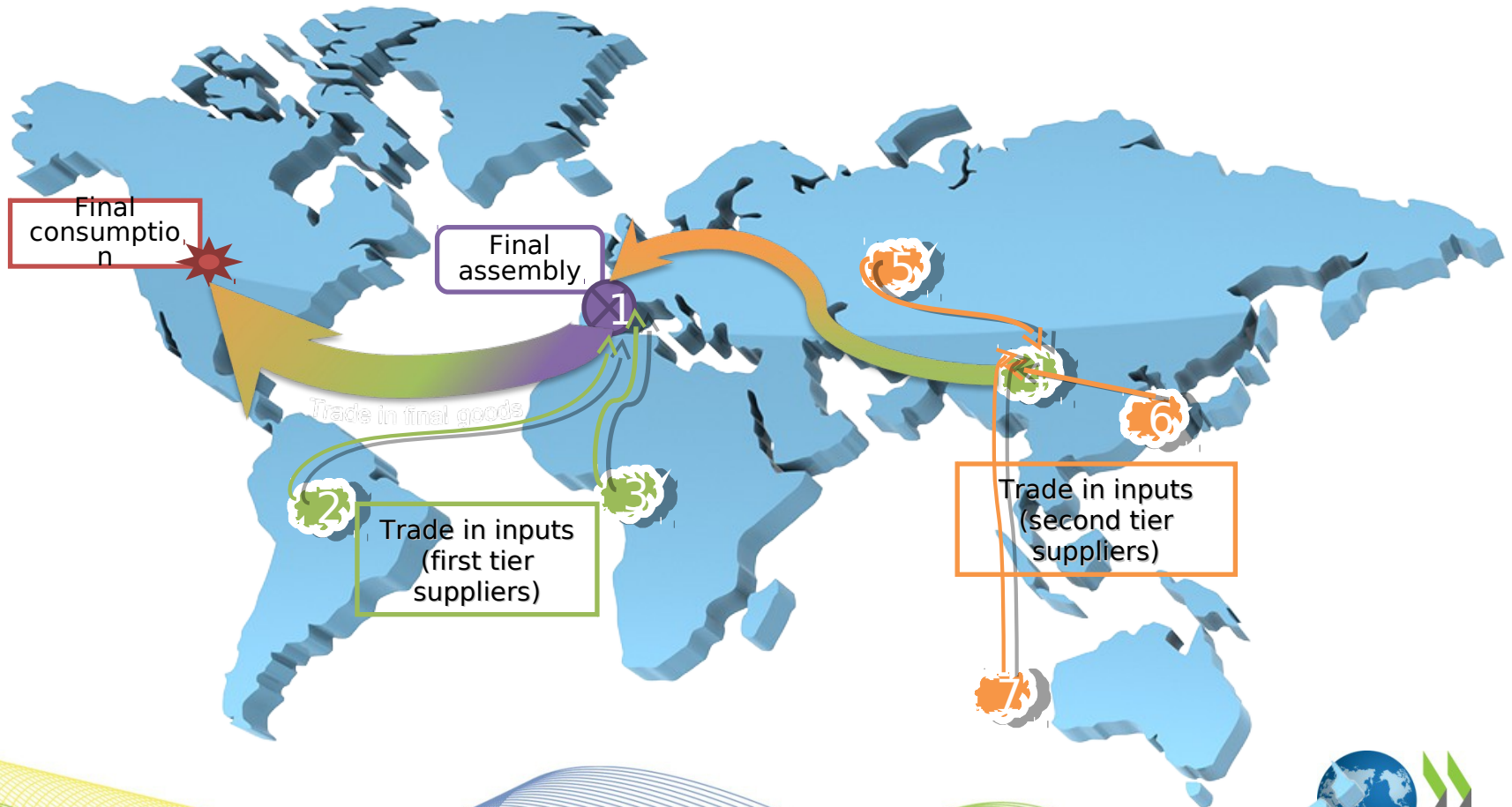
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The rise of Global Value Chains (GVCs)

- **International production networks**
 - Dispersion of production stages across countries
- **Networks of activities, firms (MNEs and local firms), industries and countries**
- **Reallocation of resources across a growing number of countries**
- **More specialisation, complex production relationships, profound changes in countries' competitiveness**
- **Global flows of goods (final and inputs), services, capital, people, technology...**

What is a Global Value Chain?



Toys: Barbie doll

*Design: California,
USA*

*Moulds, paint
pigments: USA*

*Assembly:
Indonesia and
Malaysia*



Nylon hair: Japan

*Body material:
Chinese Taipei*

*Clothing:
China*

*Quality testing:
USA*

Marketing: USA

Source: Grossman and Rossi-Hansberg (2006)

Apple's iPod

The Apple iPod = 299\$ of Chinese exports to US

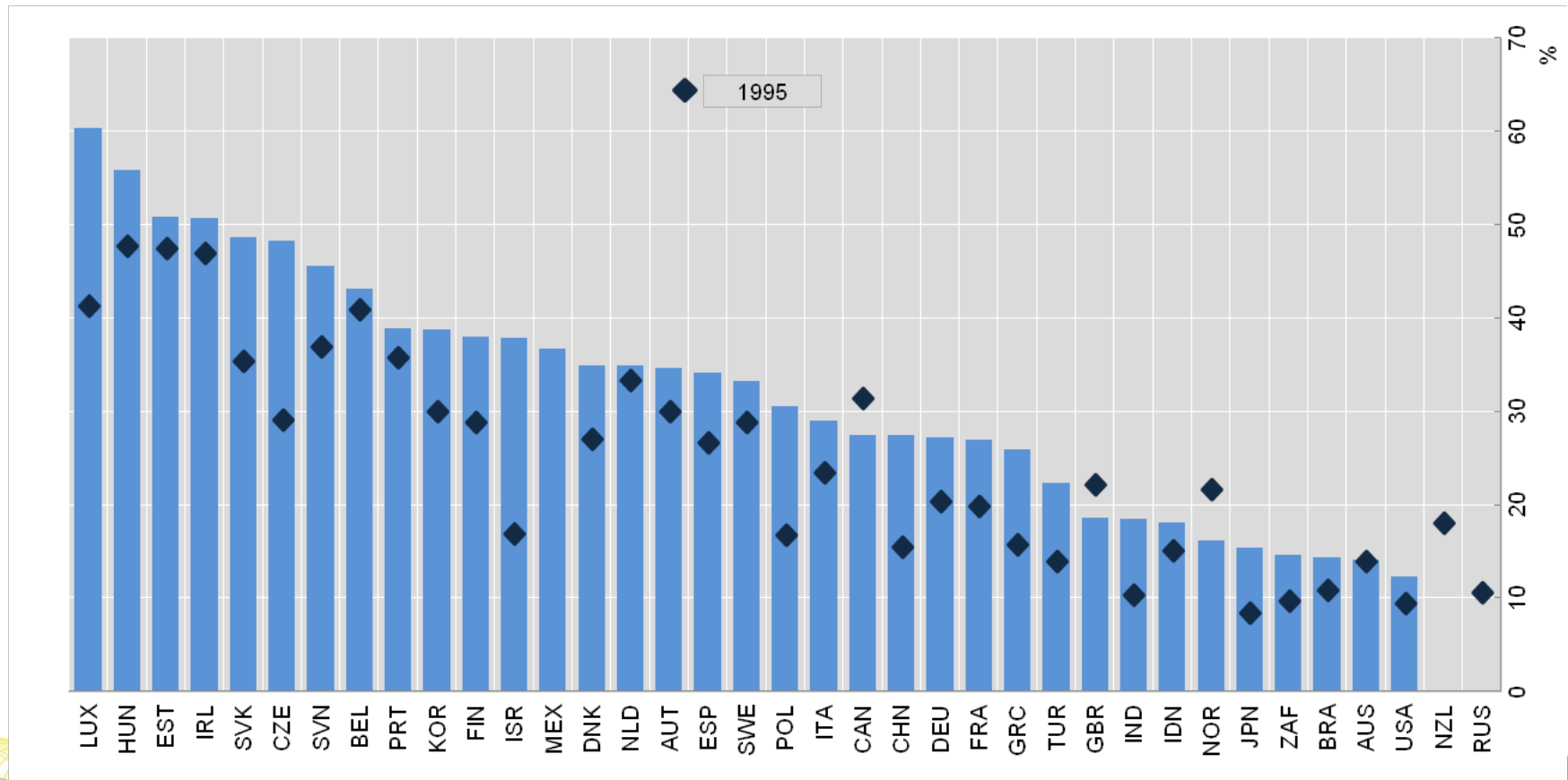


Distribution of the value added

- 299 US\$
 - 75\$ profit to US (Apple)
 - 73\$ whls/retail US (Apple)
 - 75\$ to Japan (Toshiba)
 - 60\$ 400 parts from Asia
 - 15\$ 16 parts from the US
 - 2\$ assembly by China
- iTunes Music Store (2003)
 - 70% digital market share
 - Platform for everything
 - Data flow to the consumer

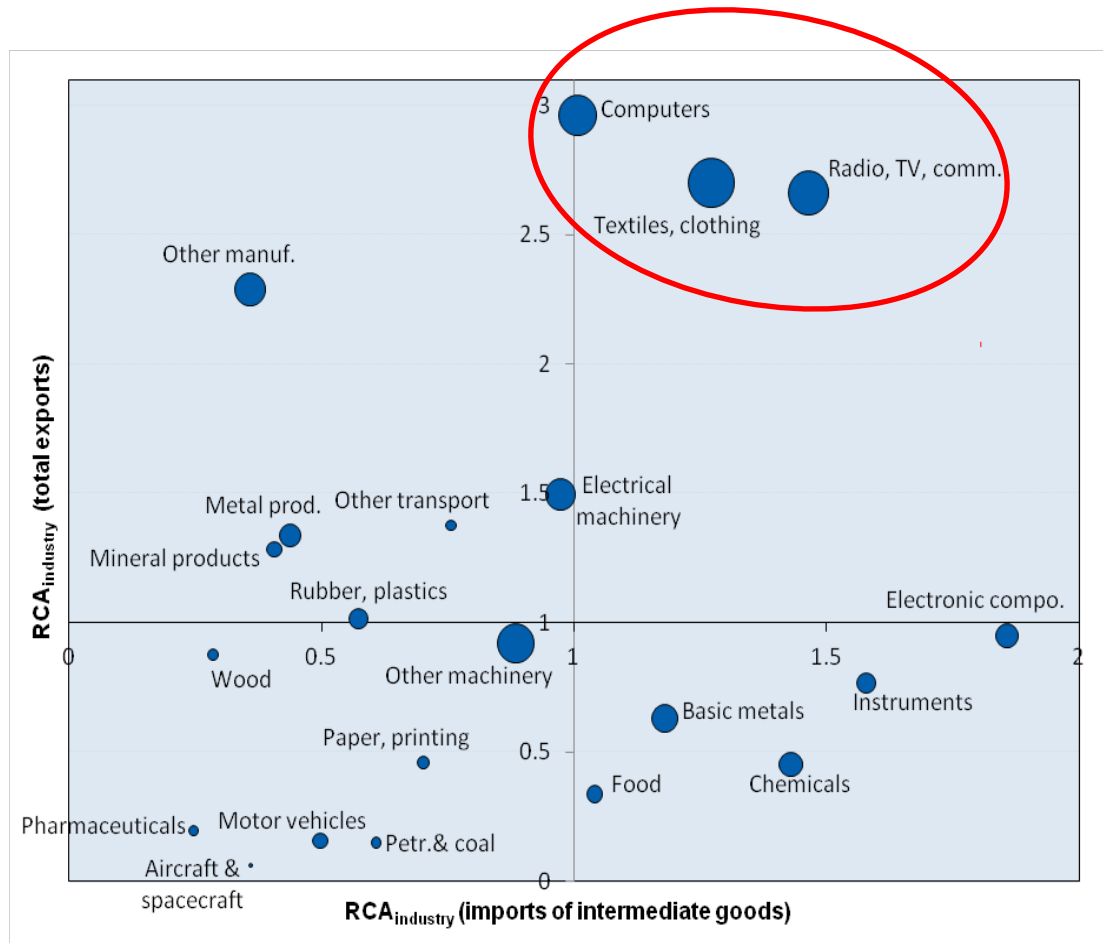
Trade in GVCs: imports and exports

Import content of exports, as % of total exports, 1995 and 2005



Competitiveness in the value chain

- Imports contribute to competitiveness
- Where is China's competitiveness situated exactly?
- How does this translate in terms of value added, employment...?



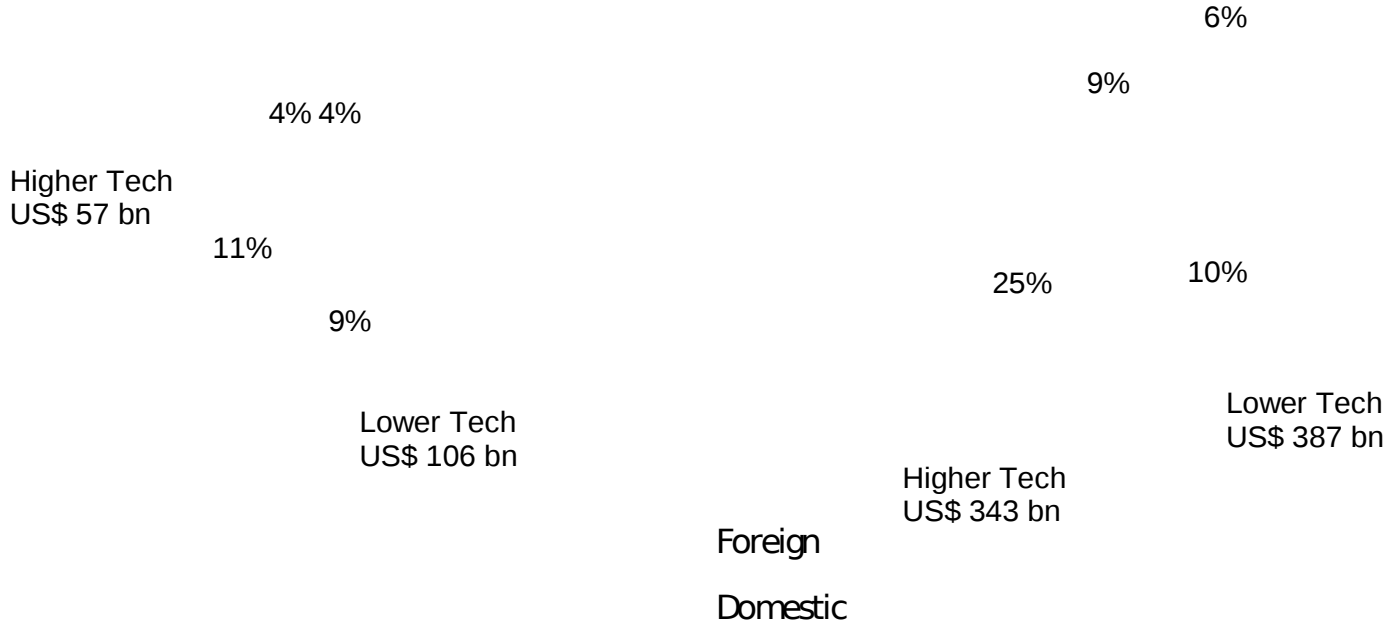
Foreign content share of China's exports

1995

2005

Services US\$ 8 bn
Primary US\$ 8 bn

Services US\$ 56 bn
Primary US\$ 16 bn



Upgrading in the value chain

- Being stuck in the middle? Value created upstream and downstream – what does ‘moving up the value chain’ means?
- Emerging economies: making sure that value ‘sticks’
- Developed economies: retaining value creation
- Importance of knowledge based assets

Policy issues

- **GVCs are not a new phenomenon, but the scale, speed and complexity raises several policy issues**
 - Measurement of GVCs
 - **Trade in Value Added (TiVA)**
 - New trade narrative
 - **GVCs and trade policy**
 - **GVCs and national competitiveness... the recurring discussion on **industrial policy****
 - **Requiring broad-ranging policy agenda, including **innovation, skills and structural policy****
 - GVCs and **global systemic risk**
 - GVCs and **upgrading**
- forthcoming report:
Ministerial Council Meeting 2013

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