

# Global Value Chains (**GVCs**) and Trade in Value-Added (**TiVA**): Recent Applications and Extensions

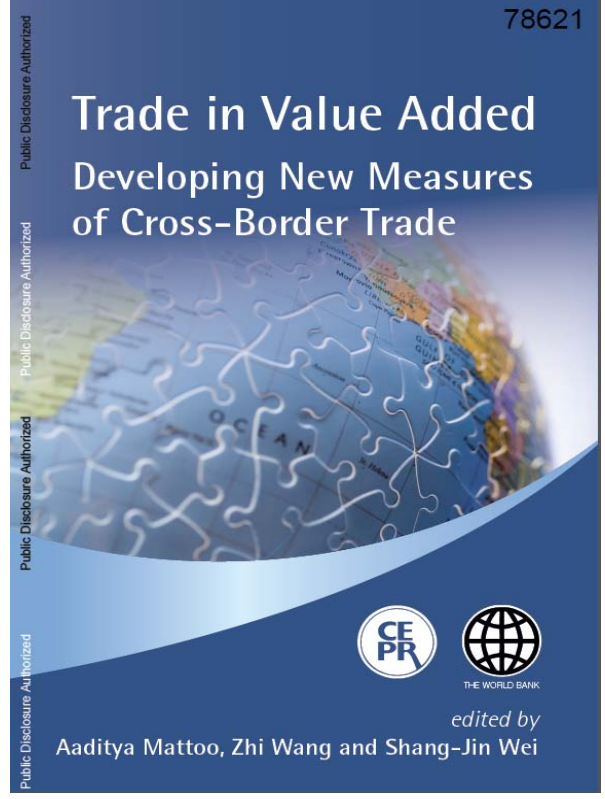
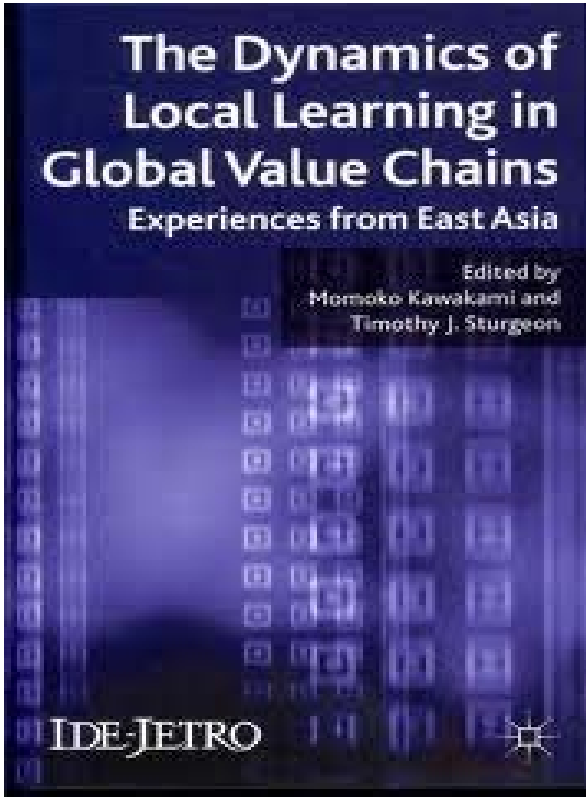
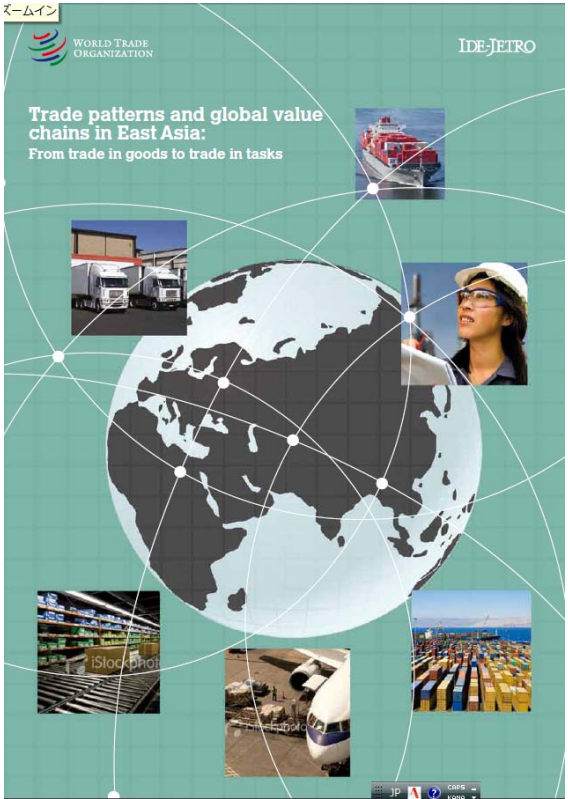
Bo MENG (IDE-JETRO)

International Symposium “Global and Regional Value Chains: Asian  
and Latin American experiences”, Santiago, Chile. 21 Nov. 2013

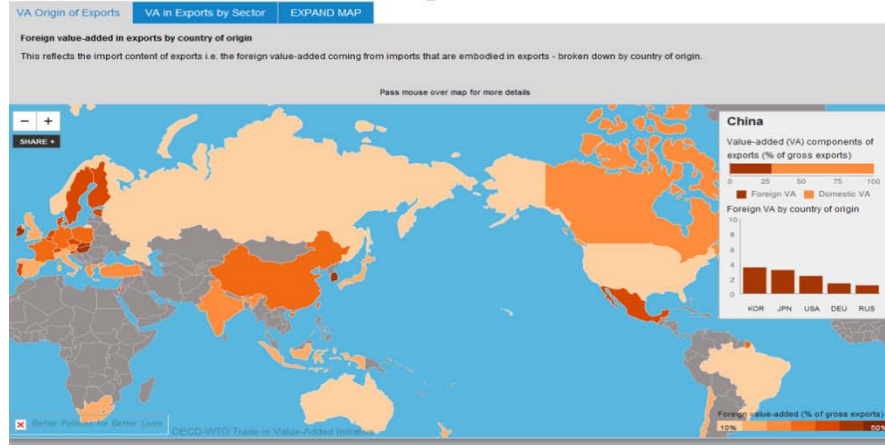
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# Why focus on GVCs and TiVA

- Increasing complexity of globalization due to the fragmentation production by the way of trade-investment-service nexus. **“what you see is no more what you get”**.
- Almost everything is made in GVCs. The value creation and distribution depend the degree and position of participation of a country in GVCs.
- Policy implications: **“you can’t manage what you can’t measure”**
- Policy supports -> improve comparative advantages and competitiveness



## Measuring Trade in Value Added: An OECD-WTO joint initiative



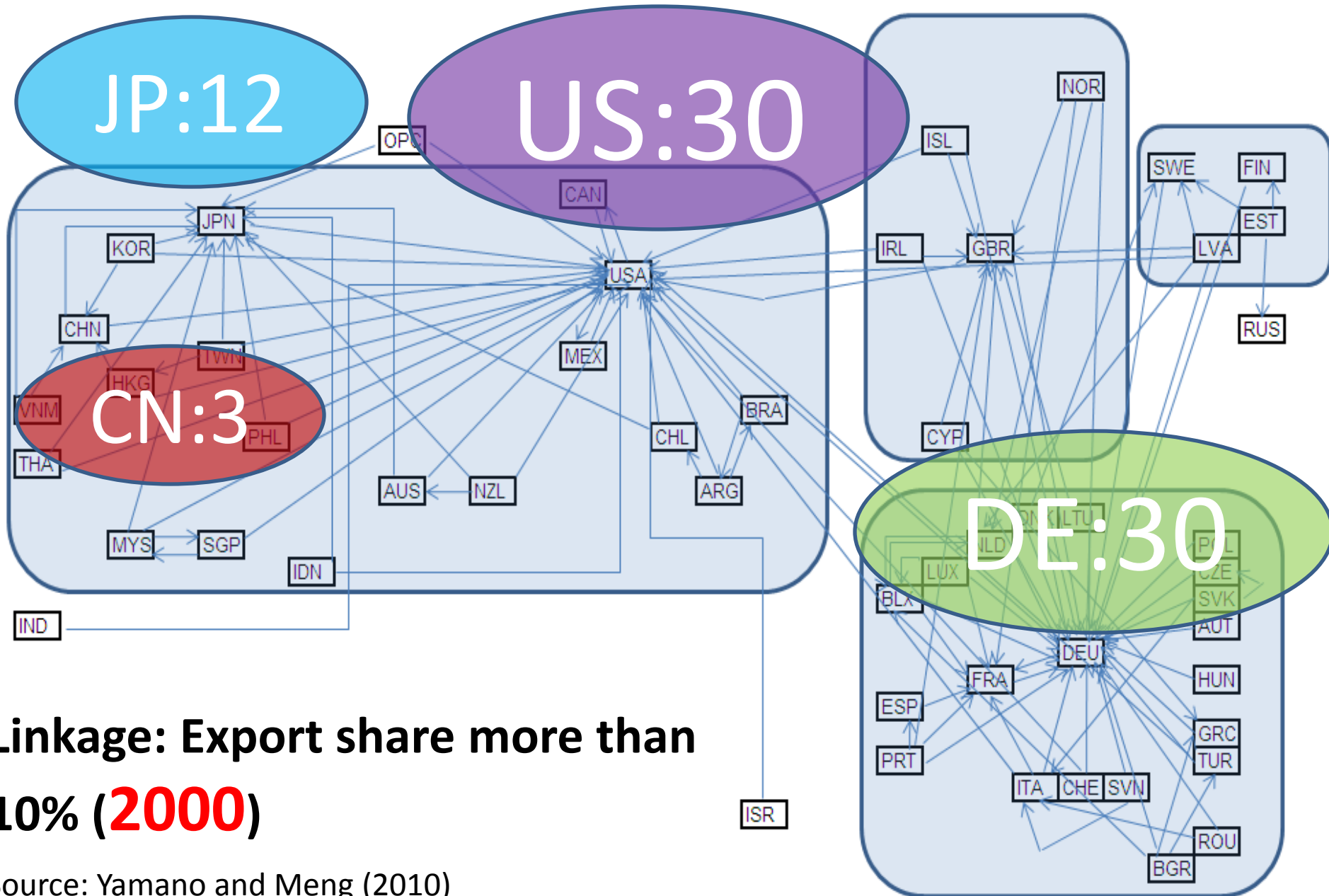
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



# WORLD INVESTMENT REPORT 2013

GLOBAL VALUE CHAINS: INVESTMENT AND TRADE FOR DEVELOPMENT

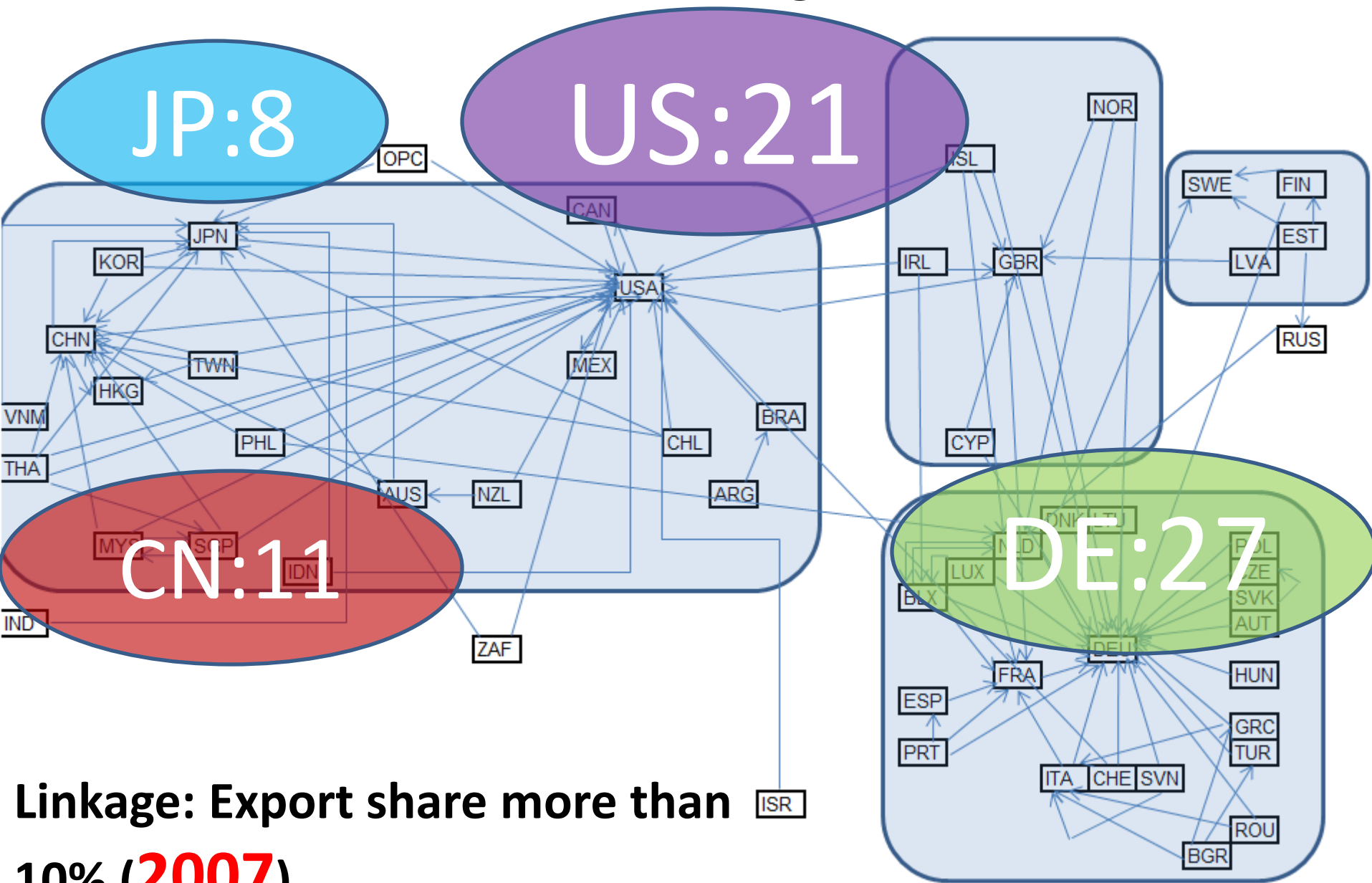
# Trade linkages



Linkage: Export share more than 10% (**2000**)

Source: Yamano and Meng (2010)

# Trade linkages

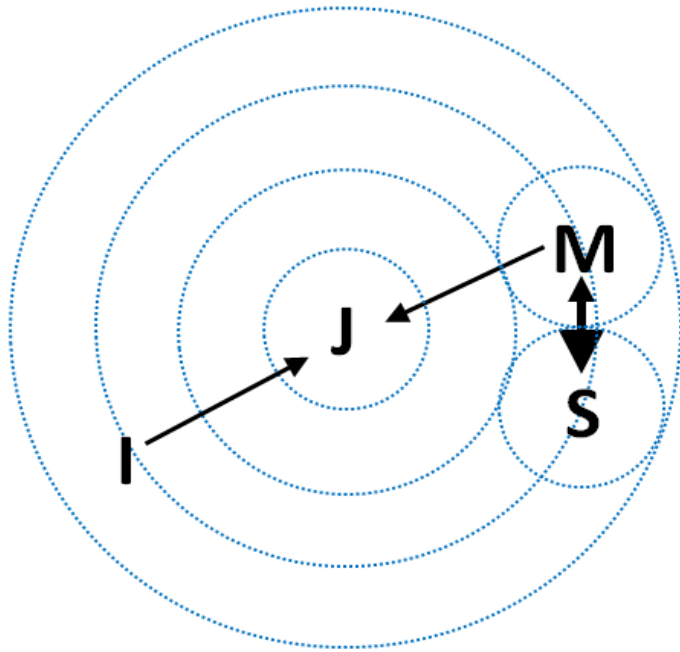


Linkage: Export share more than  
**10% (2007)**

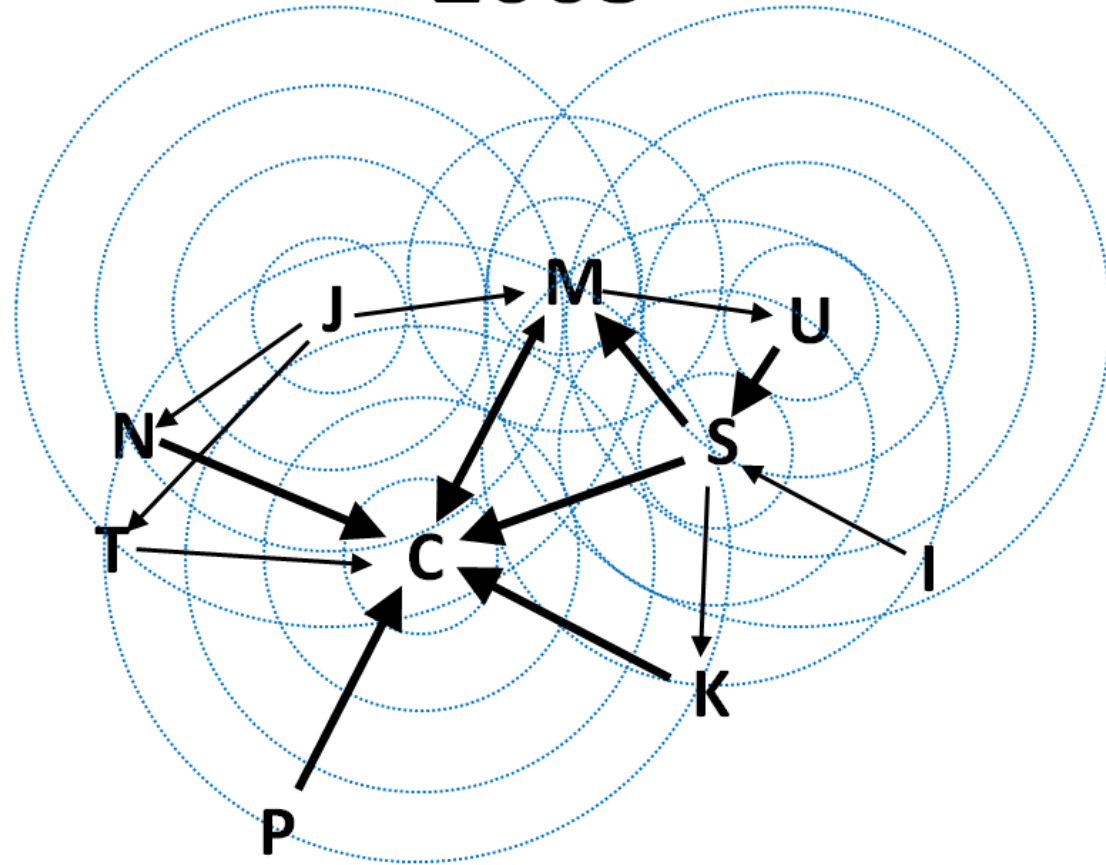
Source: Yamano and Meng (2010)

# Value Chain Networks in Asia

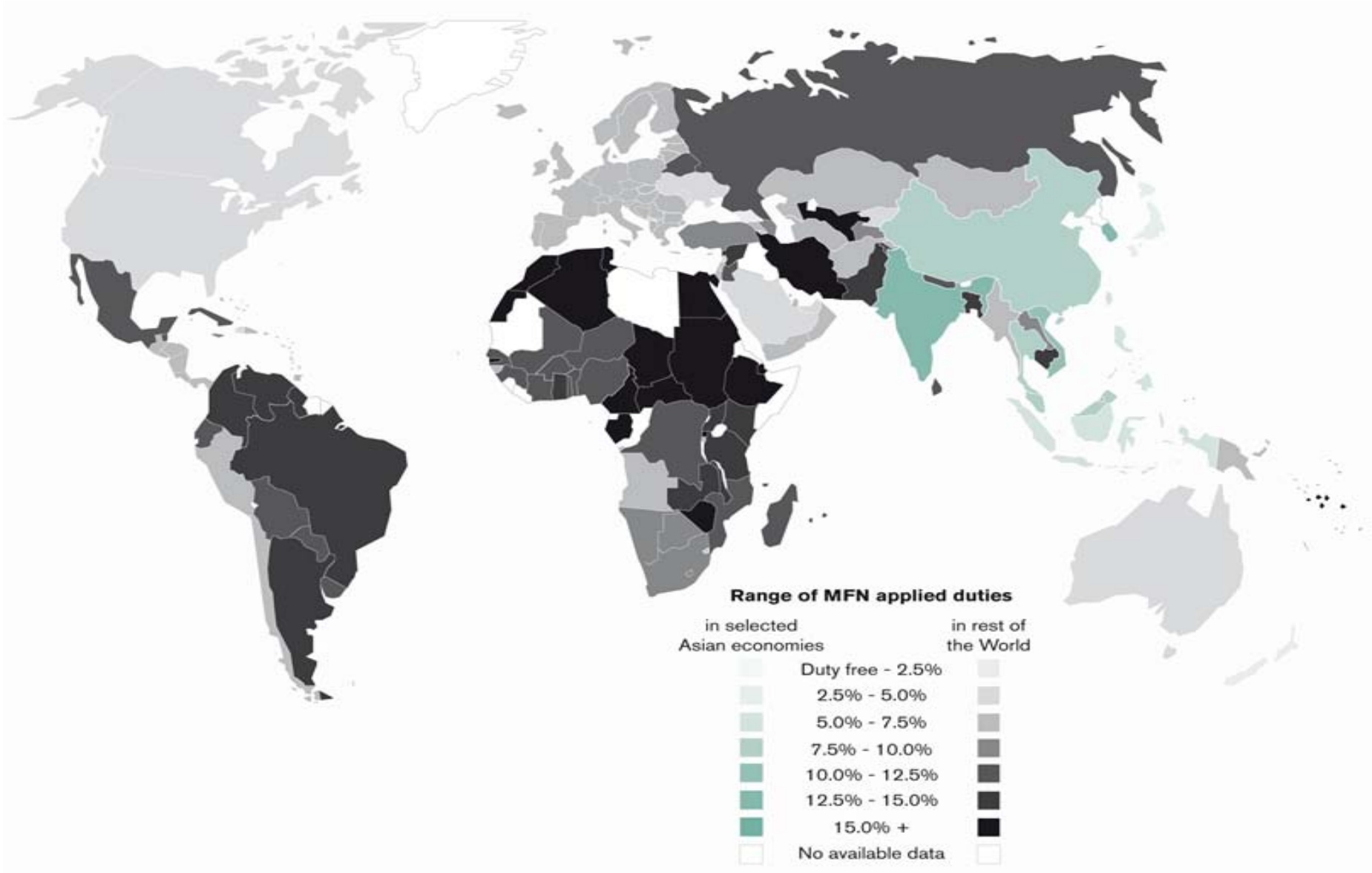
**1985**



**2005**



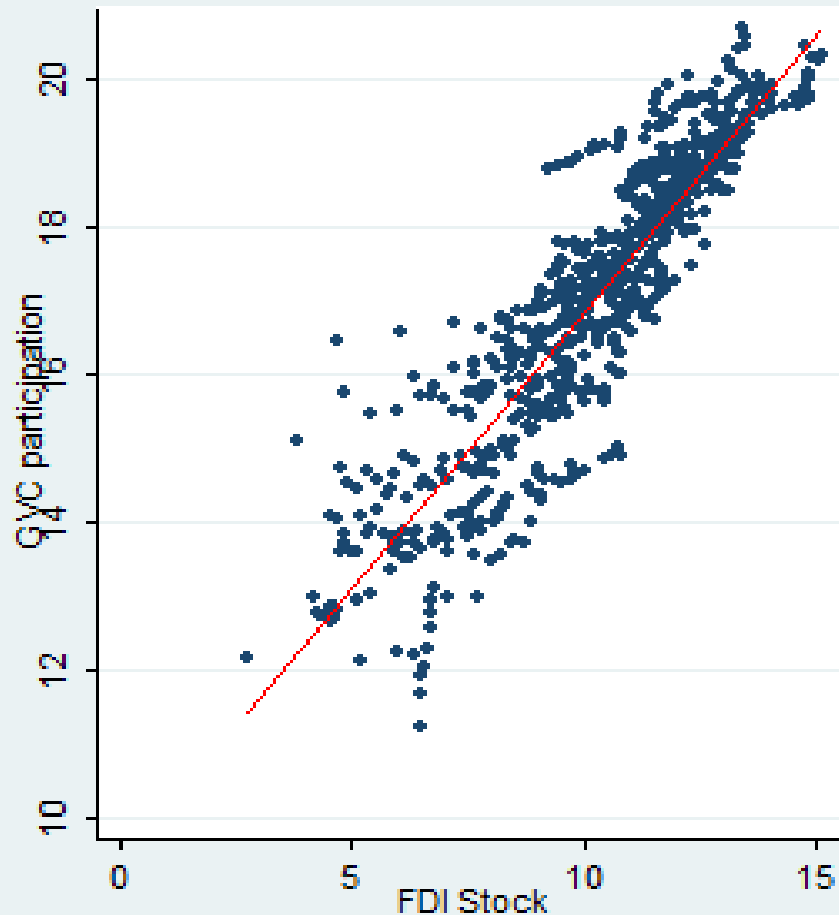
# Asian economies have relatively low applied tariffs on imports



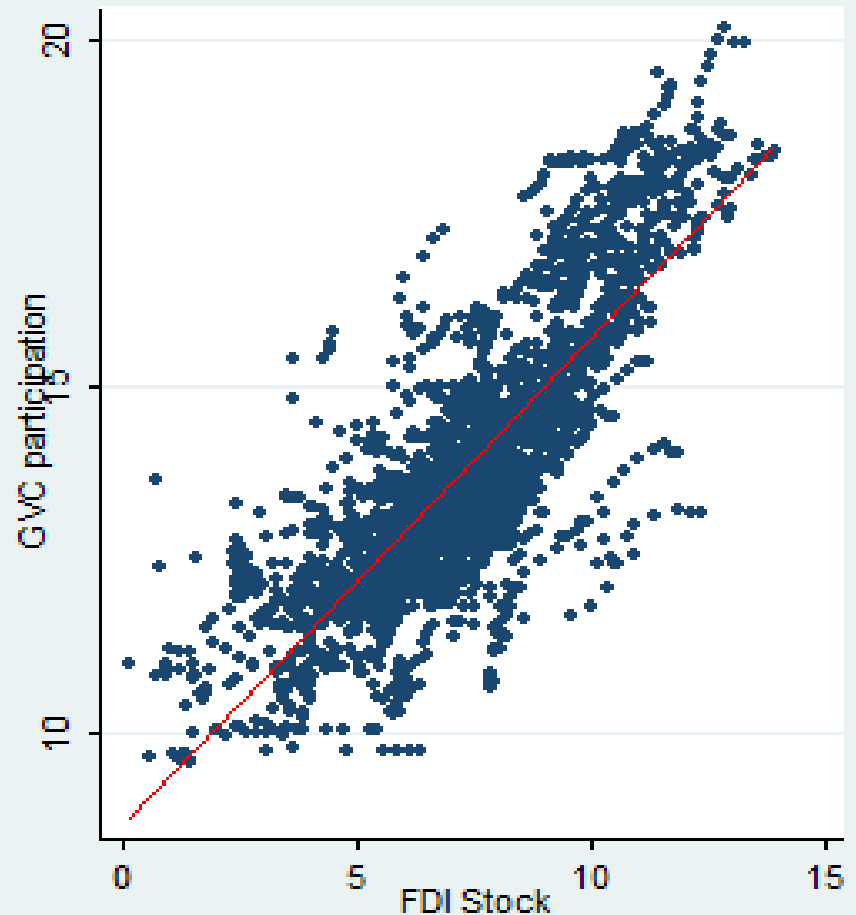
Source: WTO

# GVC participation vs FDI inward

GVC Participation vs FDI Inward Stock  
Developed Countries - logs



GVC Participation vs FDI Inward Stock  
Developing Countries - logs



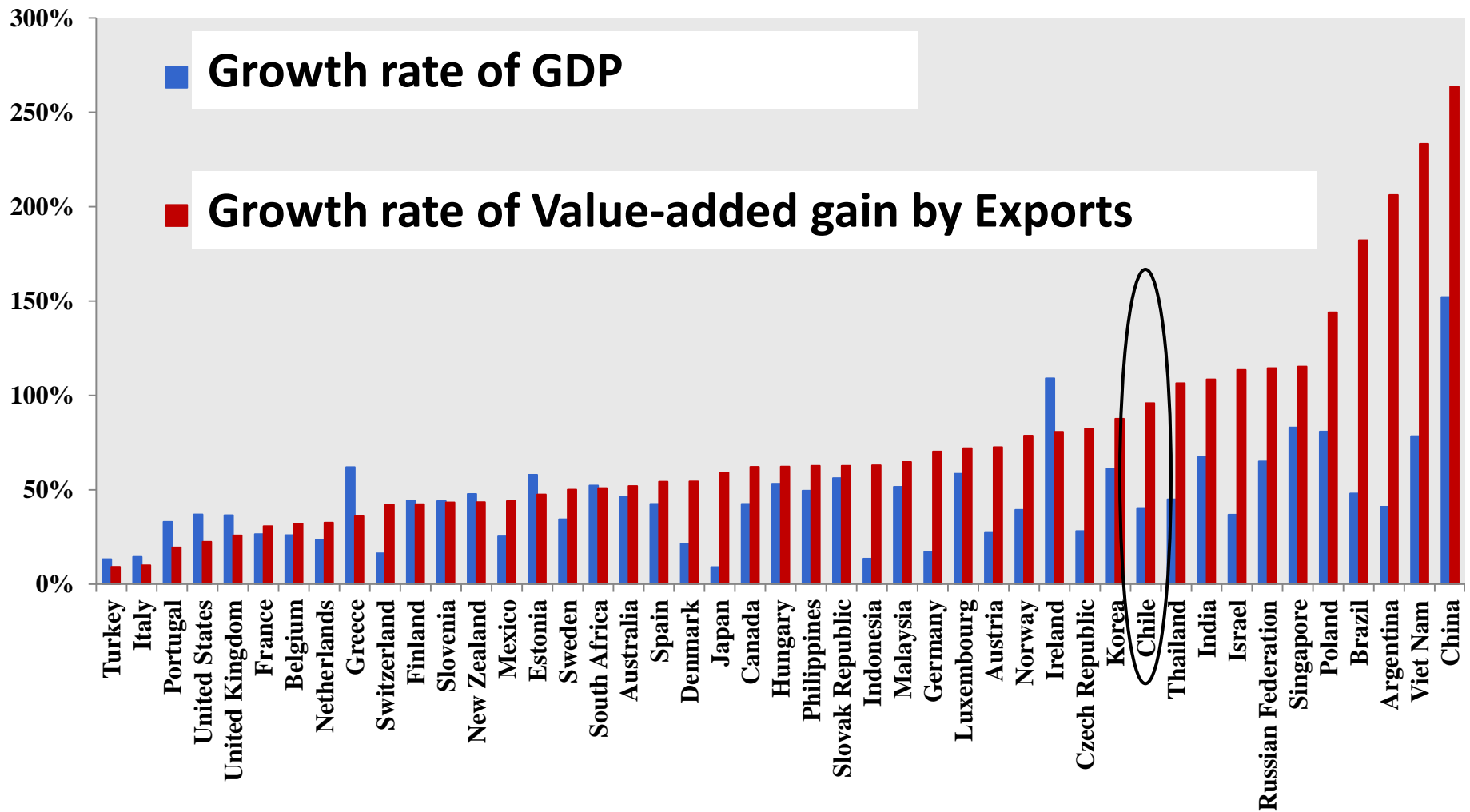


# "Not just because of Cheap labor"

The US lacks the sheer labor capacity required to ramp up production

The period to hire **8,700 engineers** to manage **200,000 factory workers** is:





**Value added induced by export grew much faster than value added itself, although value added induced by one unit export has decreased between 1995 and 2005.**

# Policy Discussion

- From trade in products to trade in processes -> policy can improve firm's accessibility to GVCs from selling goods to coordinating and synchronizing processes (first become a part of GVC -> move up)
- New approach: exports are good; and imports are essential -> value gain depends on GVC participation degree and position
- Trade and investment are complementary: liberalizing investment is as important as eliminating tariffs
- “Moving up” in GVCs requires developing capabilities->Logistics, investment in education resulted in high-skilled and easily-trainable workforce, political stability...-> policy package