



Discussant Comments

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The views expressed here are solely those of the presenter. This presentation is not meant to represent the views of the USITC or any of its Commissioners.



Overview

- Challenging, ambitious, and new material
 - Participation in global value chains (GVCs) throughout the world
 - Contributions of workers and capital
- Shows great strides profession is making in mapping global value chains and providing useful information to economists and policy makers
- Substantial challenges remain
 - Stress testing methodologies
 - Quantifying policy effects
 - Extending results to new regions
 - Understanding why countries and industries differ so widely in their participation in supply chains



Trade in value-added: concepts, methodologies, and challenges

- Ambitious layout of goals, with honest appraisal of challenges
- Final goods trade: Need to follow
 - Single trade flow direct from producer to final consumer
- Twenty-first century: Need to follow/harmonize/concord
 - Information about the final goods flow
 - Information about the journeys of all intermediate components
 - Plus flows of indirect inputs, including services
 - Requires details about national accounts of every country along the way
- Not to mention
 - More information on firms, products, and changes over time would be helpful
- So why set such an ambitious goal given current limitations?



Trade in value added: challenges for policy analysis

- Effects of trade policy now depend on the composition of imports *and* the routes those goods and services took on their way to your country
- Without considering GVCs, border measures may be counterproductive: May reduce national competitiveness and welfare rather than increasing them
- Border measures may also be unpredictable:
 - May chiefly affect upstream exporting countries rather than the direct exporter
 - May have larger effect if direct exporter contributes little value added
 - May differ for intermediate and final goods
- Need to know more about quantifying the effects of trade policy in the new world



Mapping global value chains: highlights

- Demonstrates the role that countries and their firms play in global value chains
- Uses latest indicators and a few new ones
 - Concise despite a wealth of data (ICIO table with 56 countries and 37 industries has 4.3 million intermediate use coefficients)
 - Nicely extends IO analysis when data are lacking (e.g., ownership networks)
- Can inform policy makers on
 - What is country's participation/role in GVCs?
 - What is the effect of trade policy, given that role?
- Highlights:
 - New indicators confirm the extent of fragmentation.
 - All OECD economies show a comparable level of participation in GVCs
 - Larger countries generally have lower share of foreign content in their exports
 - Participation/role varies by country, and by products within countries.



Mapping global value chains: Comments on indicators

- Paper address both GVC participation and introduces policy effects (more to come in follow-up report)
- I have a few comments on indicators in this paper, and some questions for the follow-up paper
- Indicators
 - Show useful trends and contrast between countries
 - Some estimates differ from previous studies (particularly US, Mexico, and China)
 - Need for some decidedly unsexy work on the effects of different data sources and database construction methods

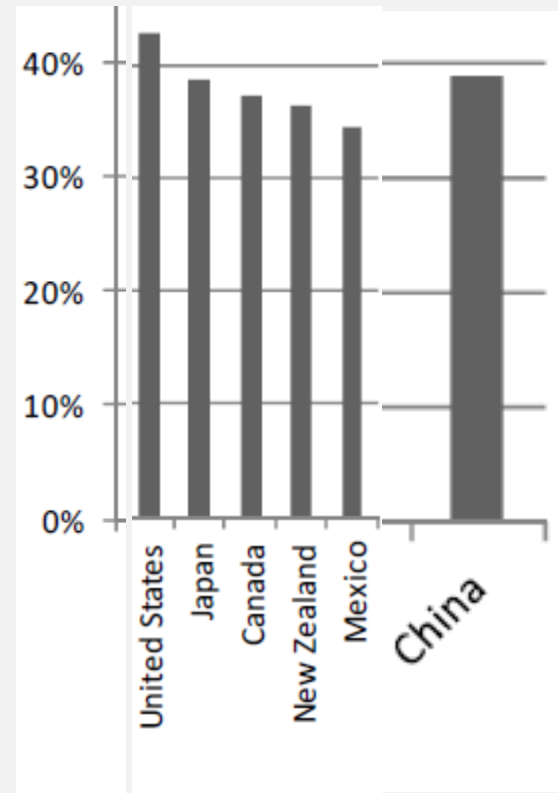
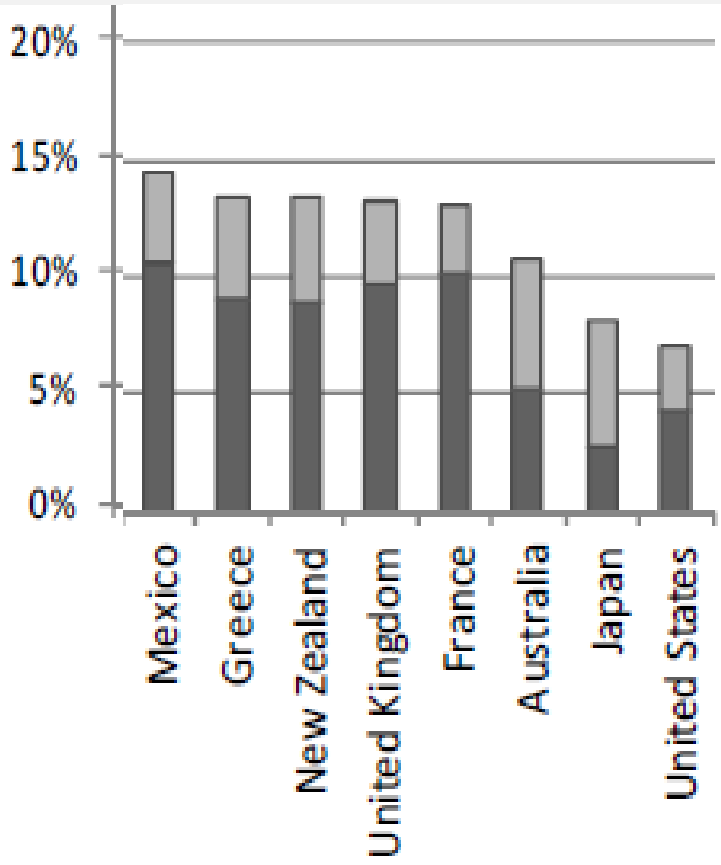


Mapping global value chains: indicators

- Examples:

Import content of exports in OECD countries, 2005

Foreign value-added and domestic value-added used in third-countries exports





Mapping global value chains: Comments on policy implications

- Paper highlights policy implications for trade policy, trade and employment, national competitiveness and growth, and moving up the value chain
 - Effects of trade policy may differ for upstream and downstream countries. But may not be simple:
 - e.g., “countries downstream are more affected by direct barriers to their exports in the countries of final consumers”
 - But Timmer et al. show: $K = F(I-B)^{-1}C$
 - All countries affected by same final demanders, and effects on upstream and downstream countries determined by Leontief inverses
 - Looking forward to follow-up paper on trade policy



Slicing up global value chains: WIOD

- WIOD—commendable effort
- Publicly accessible database of great quality and utility
- High quality of database construction
 - Use trade data to extend the UN Broad Economic Category approach
 - Bilateral sectoral services located or estimated
 - Excellent detail on contributions of different types of workers (extension of KLEMS)
- Coherence
 - IO structure matches industry detail in KLEMS and research goals (focus on workers and capital)
- Extension to 2009



Slicing up global value chains: highlights

- Paper examines factors payments directly, not as a proxy of global integration, etc.
- Factor income in manufacturing:
 - Advanced-country share in decline since 1999
 - Emerging economies (China, East Asia, Brazil, India, Russia, etc.) capturing greater shares
 - Equal shares in global manufacturing by 2013?
- Examination of specific countries:
 - Developed countries: not homogeneous
 - Developing countries not homogeneous
- Examination of specific sectors (Brazil and Mexico,)
 - Different sectors largely move together despite difference in exposure to global supply chains
 - Not all about supply chains: Macroeconomic and institutional forces still key determinants of success
- Examination of specific factors
 - High capital shares in China and North America



Slicing up global value chains: comments

- What do we need to understand factor contributions in modern supply chains?
 - Results focus on global manufacturing shares
 - But example of iPod is largely a service story
 - Are upstream activities (R&D) included in shares?
 - Are downstream activities (retail) captured in IO studies of specific products?
 - IO tables are based on purchaser's prices, so retailing value is included in final demand



Conclusions

- Ambitious efforts are paying dividends
- Getting better at measuring participation (improved databases) and summarizing it (more helpful indicators)
- Remaining challenges (in addition to those highlighted by Hubert)
 - Can we reconcile the different approaches to value-added trade in these papers?
 - Most WIOD reports to date have looked at value added consumed abroad
 - Policy focus is on value added in export flows (both intermediate and final goods)
 - Policy effects not yet quantified (need new models)
 - Understudied regions: Latin America and Africa



Questions/Comments?

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