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# Linking GVCs to development

Christian Henn, WTO

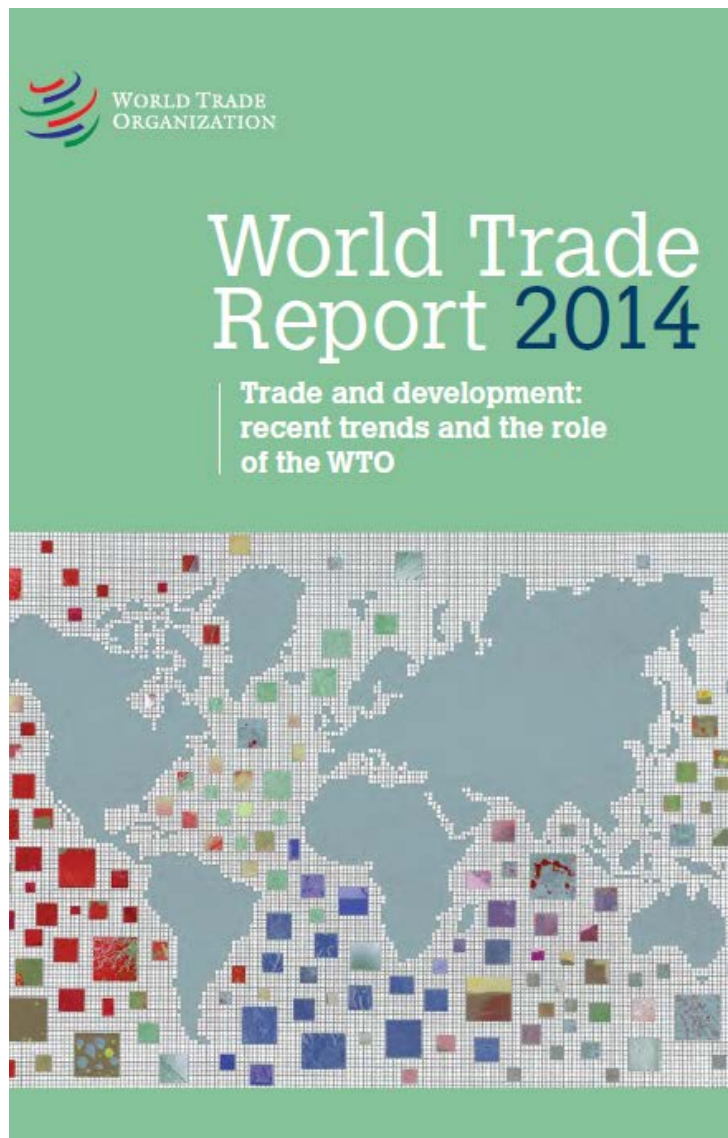
Expert Group Meeting on  
“Global value chains, regional integration and sustainable  
development: Asia-Pacific perspectives”

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# Initial main messages



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- GVCs offer a useful mechanism to use trade to develop.
- **Initial GVC integration** typically has large development benefits.
  - But many countries still left out.
- Challenge thereafter becomes to **upgrade** to higher value added tasks or products in GVCs.
- There are also **risks** involved and benefits are not automatic.
- **Broad policy package** needed.

# GVC participation, income and growth



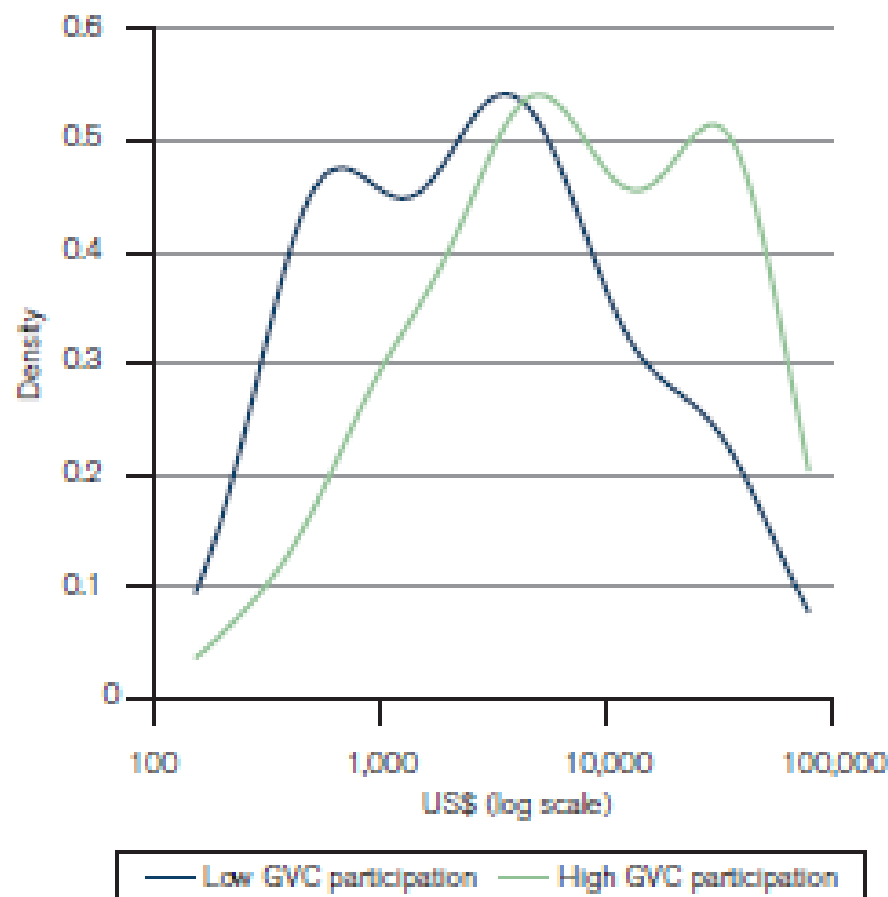
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- GVC participation is associated with:
  - Higher income
  - Higher economic growth

Table C.6: Median GDP per capita growth rate by change in GVC participation and domestic value added provided, 1990–2010

GVC participation growth rate	High	2.2%	3.4%
	Low	0.7%	1.2%
		Low	High
		Growth of the domestic value added share of exports	

Figure C.14: Distribution of GDP per capita by high and low participation in GVCs, 2012

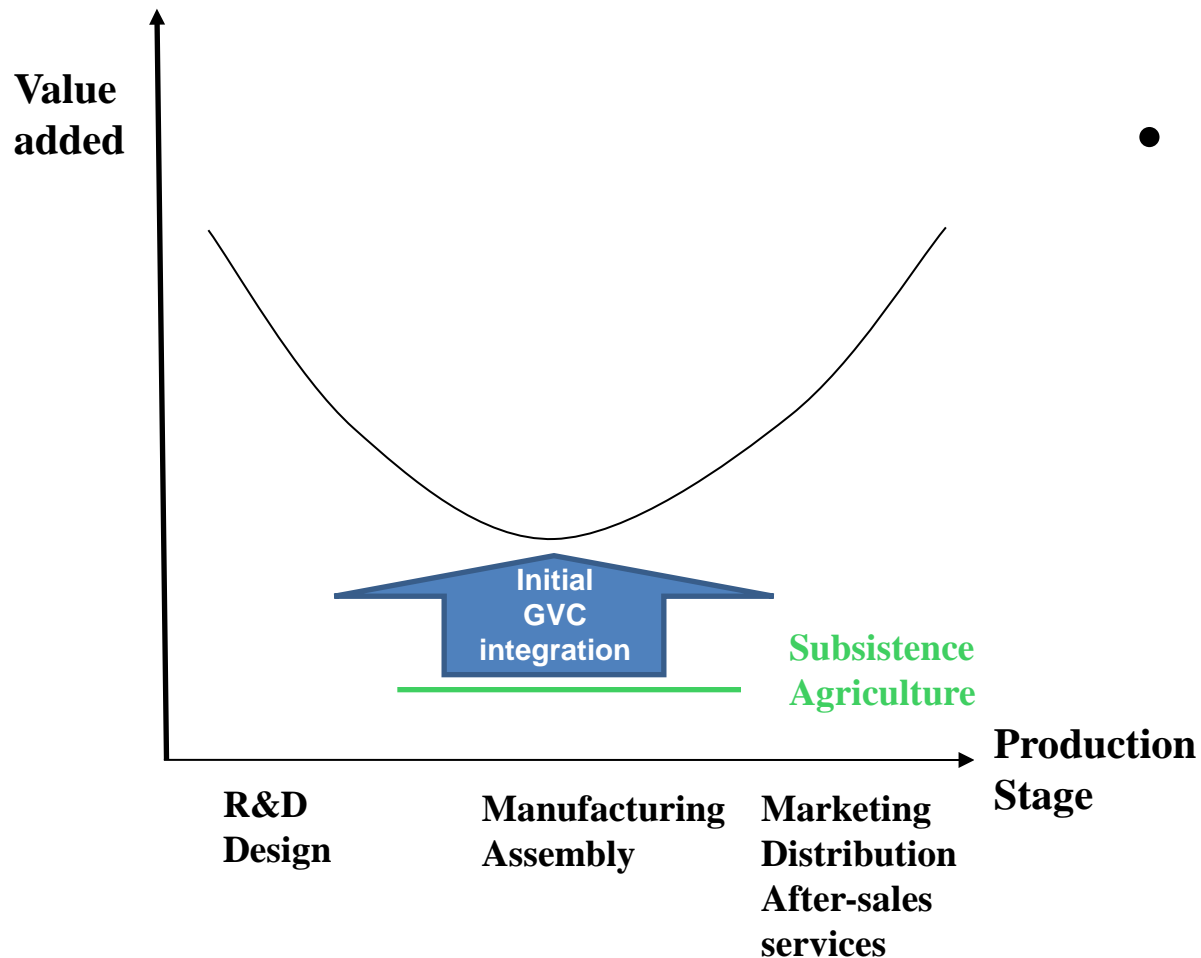


# Powerful dev't impacts of initial GVC integration



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Shin's "Smile" curve

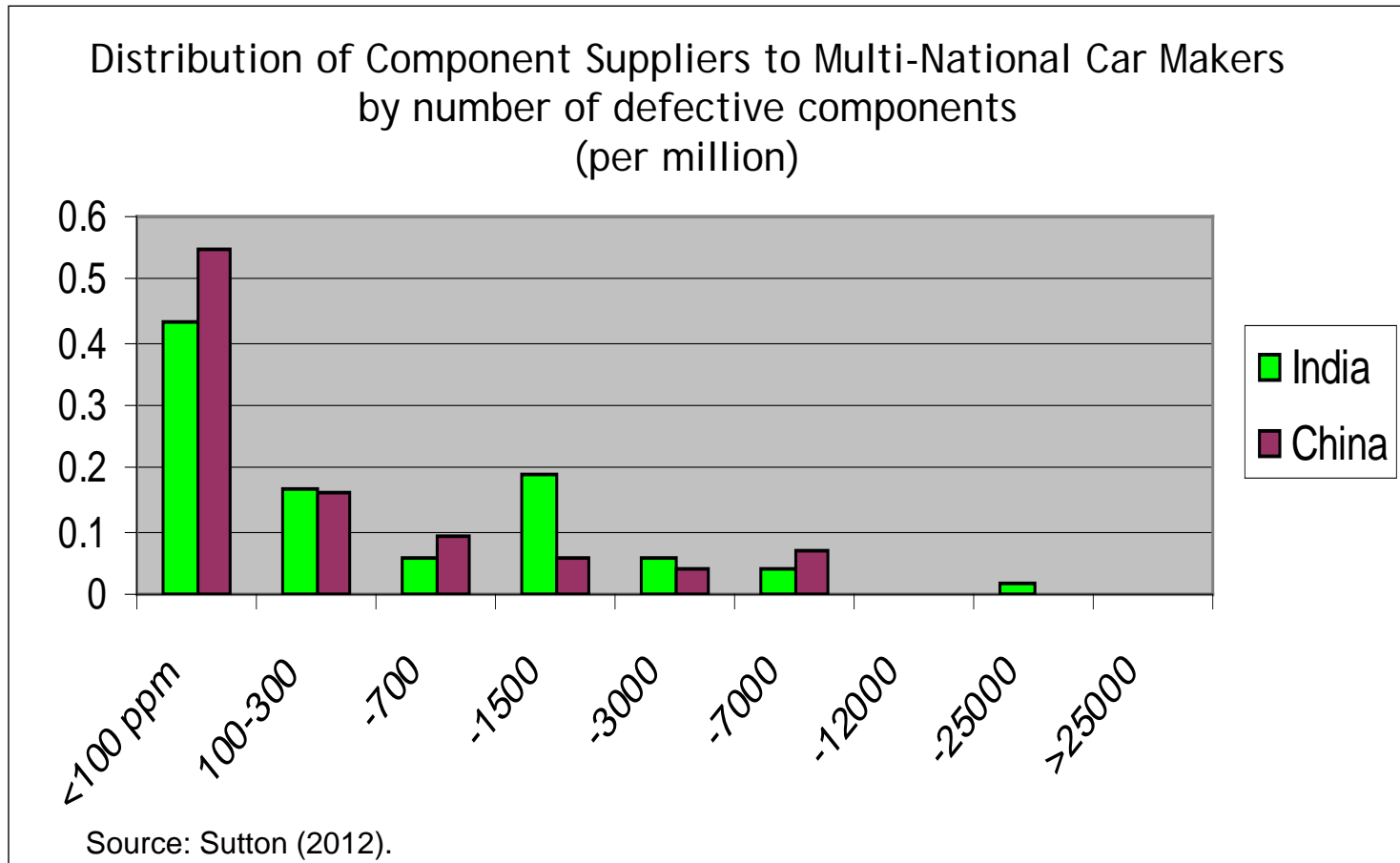


- Enabled by lead firms in GVCs *incl. thru FDI*
- Lead firms bring many advantages to developing country suppliers:
  - Access to distribution system in developed countries
  - Product design
  - Transfer of new technologies
  - Brand recognition

# Importance of attaining world quality levels



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- Standards/certification can be a way to achieve this ([more](#))

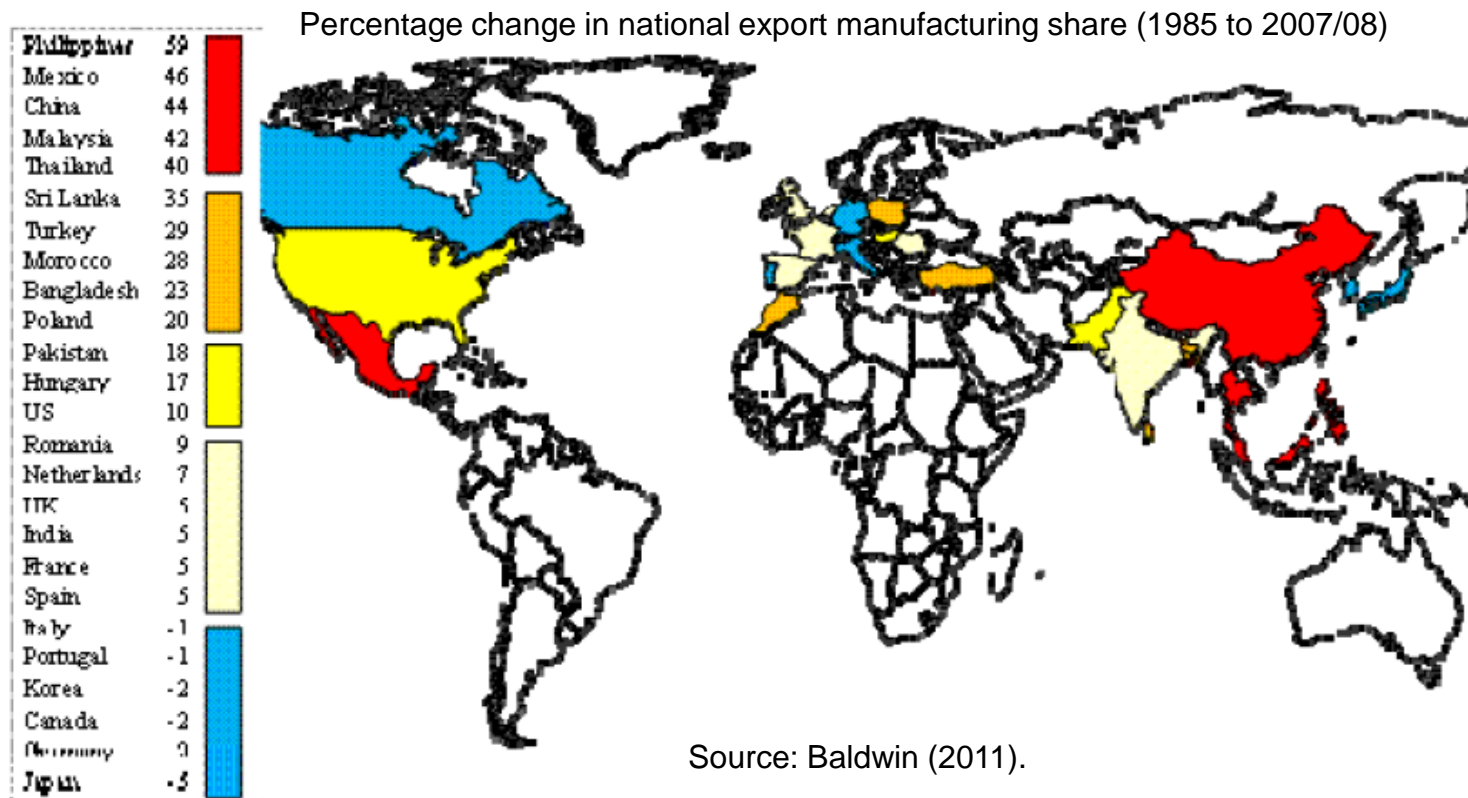


# Regional factories (North America, Europe, East Asia)



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- Many EMs industrialized, because ...
  - ... they were close enough to the world quality window AND...
  - ... either located close to Japan and each other in Asia (China, India, Indonesia) or close to existing factories (CEE, Mexico).



Source: Baldwin (2011).

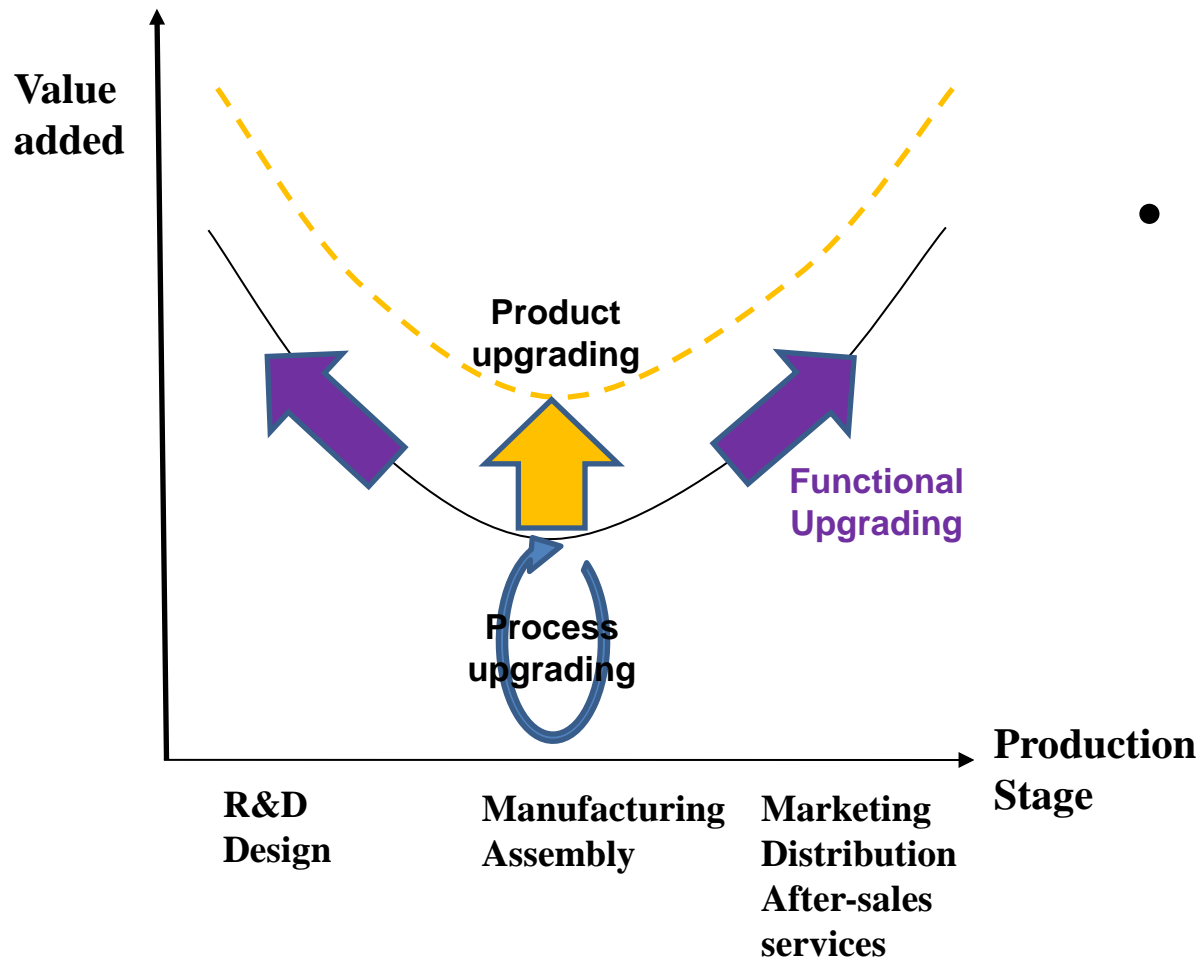


# 3 types of upgrading in GVCs



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Shin's "Smile" curve



- Much upgrading is attainable (though not always achieved)
- Lead firms largely only discourage functional upgrading that impinges on their core competences

# Quality upgrading and development



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- Much quality upgrading occurs in initial development stages
- Strong variation among low and middle-income countries



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