

# GLOBAL VALUE CHAINS

KEY CONCEPTS, METHODOLOGIES, AND POLICIES



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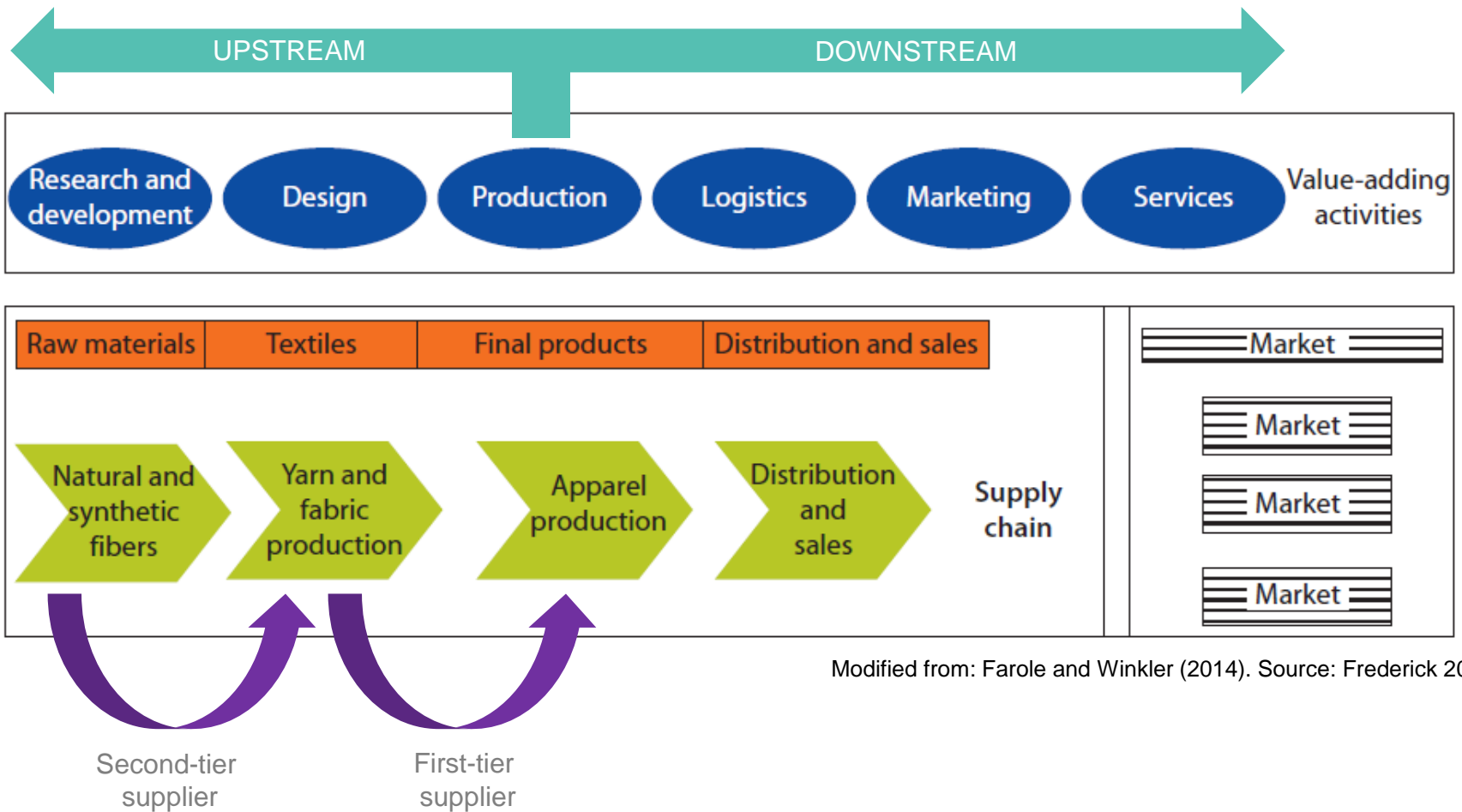
Trade & Competitiveness

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# KEY CHARACTERISTICS OF A GVC: SOME DEFINITIONS

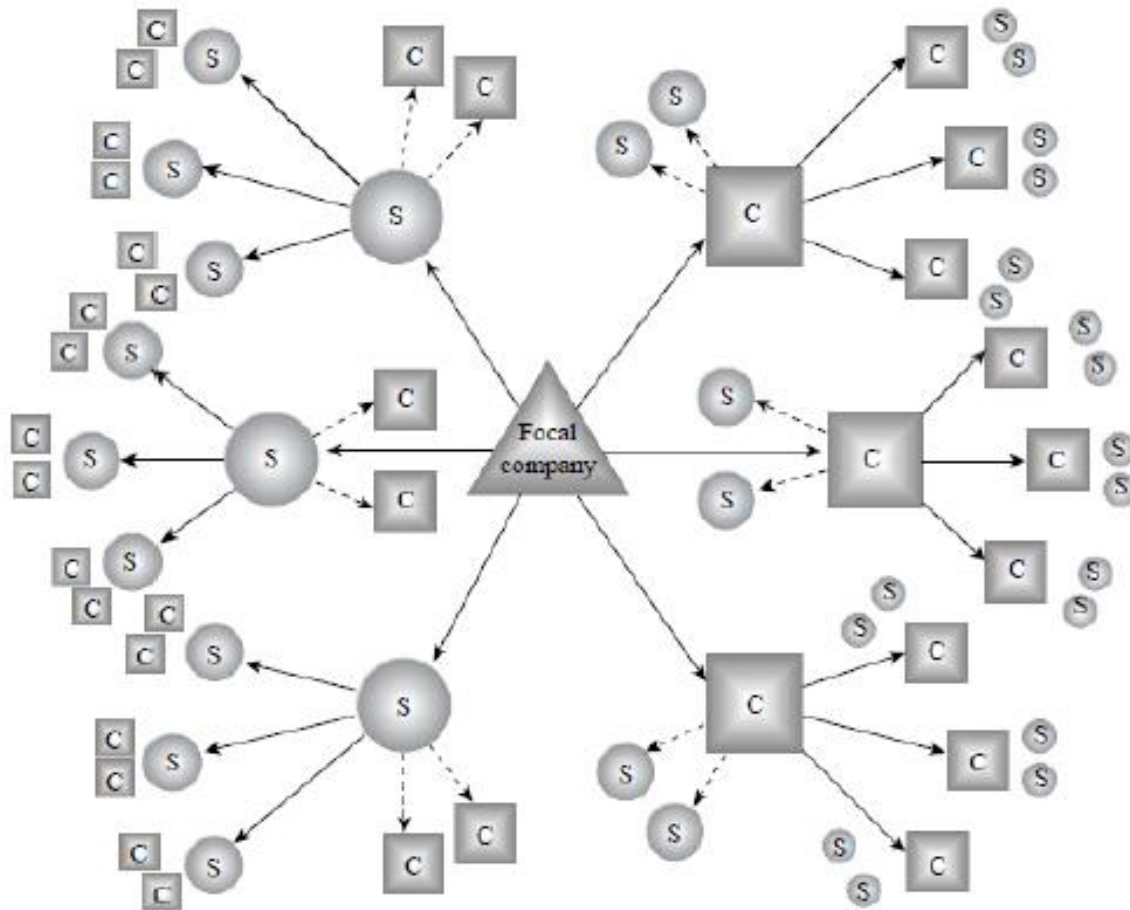
- Value added can be defined as the amount by which the value of a good/service is increased at each stage of its production chain, exclusive of outside purchases.
- When the value chain crosses national borders, it is said to be a global value chain...
- ...but most GVCs are regional in scope
- A value chain is different from the supply chain, that concerns the physical movement of the parts, components and final products.
- Logistics is the art of governing a supply chain

# WHEN ECONOMISTS THINK OF A VALUE CHAIN



Modified from: Farole and Winkler (2014). Source: Frederick 2010.

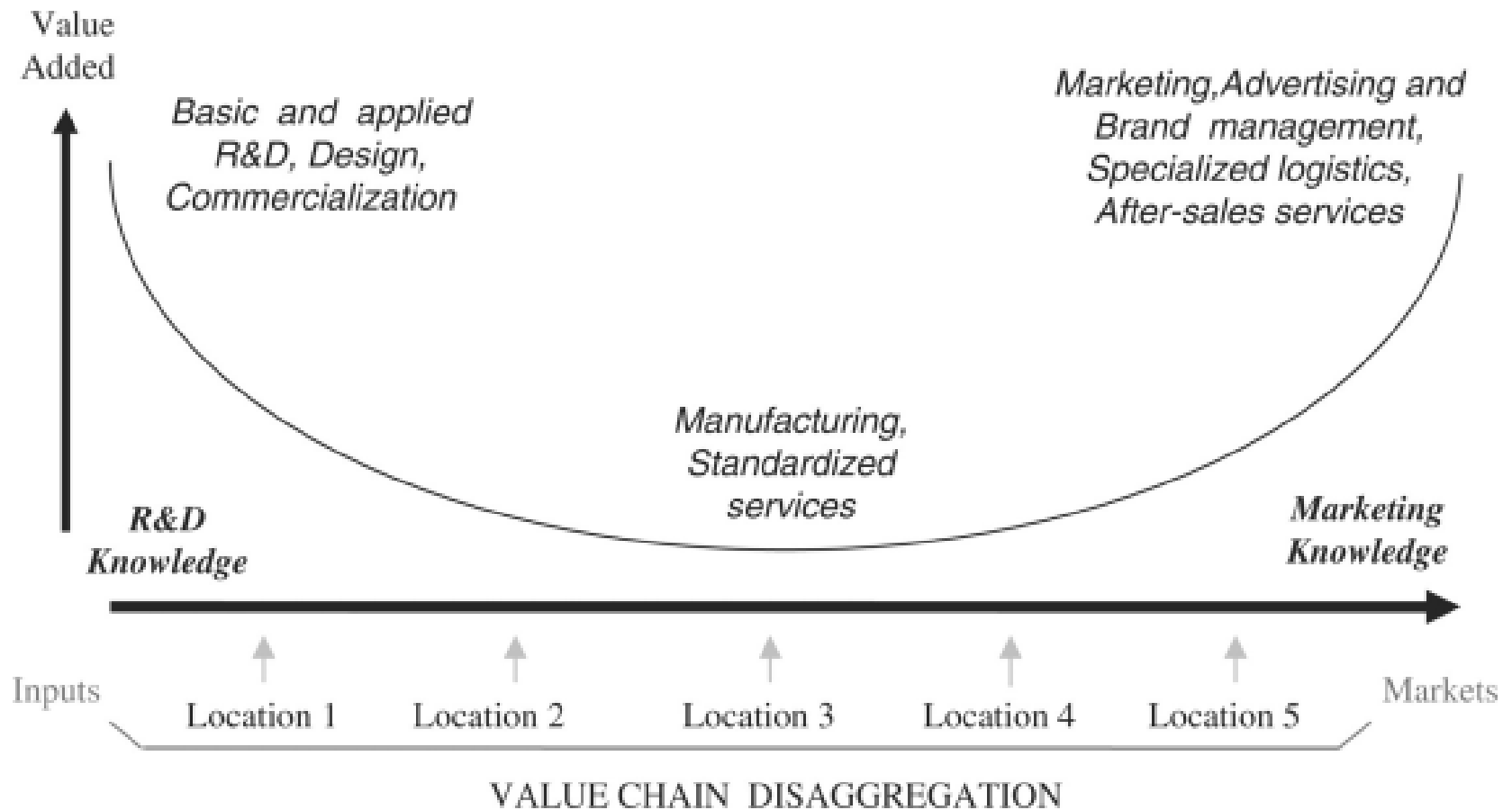
# GVCS IN PRACTICE



A value chain:

- Consists of material, information, and financial flows.
- It is a network
- • It is a complex adaptive system
- It is relative
- It consists of a main value chain and one or more support chains.
- It includes producers, traders, agents, transporters, investors, etc.
- • It is bounded by our “visibility” of the horizon

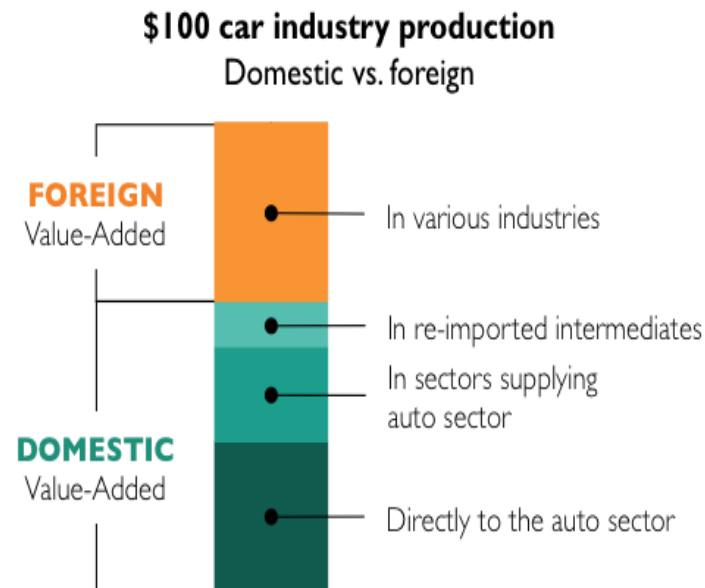
# GVCS IN PRACTICE: LEARN TO KNOW WHERE THE VALUE CREATION REALLY IS



Source: Mudambi 2008

# GVCS IN PRACTICE: LEARN ABOUT THE DOMESTIC VALUE ADDED CONTENT OF COUNTRIES' EXPORTS

- Value added of exports: it only takes into account the domestic value added component of gross exports



Source: Taglioni and Winkler (2015).  
Based on Baldwin and Lopez-Gonzales (2013).

# WHY INTEREST OF GOVERNMENTS IN GVCs?

- Integrating the global economy through GVCs is appealing to governments:
  - GVCs allow to solve a paradox: specialize and reach scale thanks to the access to global markets
  - GVCs deliver easier access than ever before to capital, technology, skills, know-how, tacit knowledge and the competitive pressure to produce at world-class standards is higher
  - Many success stories of recent industrialization had a common ingredient: import-to-export (I2E):



Source: Taglioni and Winkler (2015).  
Adopted from Baldwin and Lopez-Gonzales, 2013.

# GVCS IN PRACTICE: LEARN WHAT POLICY QUESTIONS ARE MOST RELEVANT FOR LEVERAGING INTEGRATION IN GVCs

- At WBG we conceptualized policies as an integrated **strategic framework for policy intervention**:
  - **Entering GVCs**: Which policies help (i) create world-class GVC links and (ii) a world-class climate for foreign tangible and intangible assets?
  - **Expanding and strengthening GVC participation**: Which policies help (i) strengthen existing GVC-local economy links and (ii) absorptive capacity of local actors?
  - **Turning GVC participation into sustainable development**: (i) Which policies help create a world-class workforce? (ii) How can climate-smart policies be implemented? (iii) Which policies help integrate SMEs and LICs (inclusive GVC development)?



# **GVCS IN PRACTICE: LEARN WHAT POLICY QUESTIONS ARE MOST RELEVANT FOR LEVERAGING INTEGRATION IN GVCs**

- The strategic framework leaves room for **specific client country questions**, e.g.:
  - Which position in GVCs should Poland target to follow a more sustainable development path in the future which focuses less on price competitiveness?
  - How does Vietnam's firm structure affect its productivity and potential to integrate and upgrade in GVCs?
  - Which sectors in Morocco promise a high value addition?

# Priority areas for policy intervention in GVCs

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- Infrastructure
- FDI policies
- Business environment
- Skills
- Innovation capacity/ecosystems
- Linking SMEs and GVCs

# Policy interventions: Smart Labs in Poland



**Thank you**

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