Global Value Chains, Development and Competitiveness

Sharing policy practices

Summary report

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Workshop background and objectives

Global value chains refer to the organisation of international production, trade and investments whereby different stages in the production process are located across different economies. GVCs can offer a path to growth and development by integrating countries and firms in these different stages of the production process. The emergence of GVCs had significantly altered the global economy through greater connectivity and fragmentation, but also by increasing complexity and uncertainty associated with the far-reaching consequences of possible supply-chain disruptions.

Participation in GVCs can enhance competitiveness by allowing producers to focus on specific tasks rather than the entire production process. However, the distribution of value and benefits within chains varies significantly, and depends on an array of factors including resource endowments, infrastructure, endowments of skilled human capital, innovation, as well as other relevant domestic policies. These domestic policies can be important for capturing value and upgrading within these value chains, and can help avoid the potential lock-in effects of specialisation.

This workshop was intended as the first meeting of a multi-annual policy dialogue activity on policies to enhance the benefits from GVCs for development, proposed in the OECD Strategy on Development, approved by the OECD’s Ministerial Council Meeting in May 2012. The meeting offered a forum for countries to assess, design and implement better policies to enhance development and competitiveness through integration into GVCs. In particular, it fostered the exchange of experiences and peer-learning among countries integrated into GVCs on how best to design and implement policies to attract and retain investment and promote upgrading of skills and technology. Furthermore, it aimed to build capacity in policy making via peer learning on the ‘how to’ of policy reform processes.

In particular, the workshop provided an opportunity to take stock of existing work on global value chains, notably a comprehensive policy report for the OECD's Ministerial Council meeting in May 2013, and was intended as a forum for policy dialogue between policy makers and practitioners from OECD and non-OECD countries, as well as representatives from academia and think-tanks. The event was attended by over 160 persons, from OECD and non-OECD countries, from all regions of the world. Representatives of the private sector and think tanks were also present.

The workshop was held back to back with the meeting on 20 and 21 March of the OECD Committee on Industry, Innovation and Entrepreneurship.

This event was organised by the OECD Development Centre, the Directorate for Science, Technology and Industry and the Korean Development Institute (KDI), and could not have taken place without the support of KDI.

You can visit the workshop website for more background information and all available presentations delivered by the day’s speakers.

Session 1: Opening of the meeting

In his opening speech, Ambassador Kyung Wook Hur, Permanent Representative of Korea to the OECD, stressed that the OECD is at the forefront of new knowledge creation in the debate on GVCs. Thanks to initiatives such as Trade in value-added (TIVA) and Knowledge-based capital (KBC), globalisation and specialisation are analysed through the GVC lens and invaluable insights on industry specialisation and segmentation trends are gained. While the tendency during a crisis is to focus on exports and to ignore imports, the GVC lens tells that most exports incorporate a very high level of imports. This is a powerful narrative against protectionist sentiments. The role of service sector is also increasingly important in terms of value added for trade and knowledge-based capital.

Addressing the challenges and opportunities linked to GVCs requires a multi-dimensional approach – one that the OECD is well-placed to provide. This initiative emanates from the OECD Strategy on Development which
looks at development from a multi-faceted perspective. Korea also has the right experience to contribute to this debate: Korea’s trade structure has undergone a radical transformation from exporting low-value added (e.g. seaweed, plywood and wigs) in the 1960s to high-value added products like mobile phones, ships and cars today. Finally, the Ambassador underlined that KDI as the depositary of all this knowledge is a most appropriate partner and institution for this workshop.

Carlos Alvarez, Deputy Director of the OECD Development Centre, highlighted that the workshop was the first implemented activity of the OECD Strategy of Development, launching the Policy Dialogue Network on GVCs and Development. In the last decades, international production landscape has experienced significant changes, with companies locating different production stages to different countries through a network of independent suppliers. This new configuration opens opportunities for developing countries as GVCs reduce entry barriers to international markets, and provide avenues to expand exports, create jobs, and learn new practices. But neither the integration into GVCs nor the upgrading to more sophisticated segments can be taken for granted, especially in the case developing countries, which confront a plethora of challenges. Countries have implemented policies in trade, innovation, investment attraction, export promotion among others to overcome these obstacles, but these experiences are not yet decoded. This is why it is important to create spaces such as this workshop, to allow for exchange of experiences and practical knowledge in policy design and implementation.

Dirk Pilat, Deputy Director of the Directorate for Science, Technology and Industry told participants that the workshop was the product of a true collaborative effort between several OECD Directorates, in particular the Directorates for Science, Technology and Industry, and Trade and Agriculture, as well as the OECD Development Centre. The OECD is currently undertaking much work on the topic of Global Value Chains, such as the Trade in Value Added initiative. For now, the database, launched in January 2013, includes a number of non-OECD countries and additional countries can be included in the future. The OECD will work with those countries to see if their data can be integrated to benchmark and compare their participation in GVCs. Work on policies is also under way, specifically looking at what policies are driving some of the positions of countries in the value chains, and a report on GVCs is being prepared for the OECD Ministerial Council Meeting in May 2013.

Session 2: The rise of Global Value Chains – what are they and how is value distributed within them?

The emergence of GVCs has significantly altered the global economy through greater connectivity and fragmentation, but also by increasing complexity and uncertainty. To better understand the implications of these changes, it is important to map and explore the dynamics of these value chains. This session introduced the new evidence on GVC activity and identified some key areas for future work.

The Minister of Trade from Costa Rica, Anabel Gonzalez, served as chair for this session highlighting the role that GVCs had played in the economic transformation in her country, and the continued opportunities for further developing new sectors such as medical equipment and aerospace manufacturing.

Koen de Backer, Senior Economist of the Directorate for Science, Technology and Industry of the OECD, gave an overview of the OECD work on GVCs which primarily focuses on the measurement of GVCs and the policy impacts of GVCs (trade, investment, competitiveness, upgrading and global systemic risks). He discussed the emergence of GVCs, their prominence across products/industries and provided more detail on participating regions/countries. He presented new empirical evidence on the economic benefits GVCs bring for countries integrating in GVCs, but also touched upon the challenges for developing and emerging economies in creating and capturing more value in GVCs. As the value is unevenly distributed along most GVCs, emerging and developing economies are relatively more specialised in the labour intensive and low value activities in GVCs.

Rajat Kathuria from ICRIER discussed India’s success in services related participation and sectors such as pharmaceuticals, but the shortcomings of Indian participation in most sectors of manufacturing value chains.
Mr. Kathuria identified several hurdles to increased insertion into manufacturing GVCs noting the gaps in intermodal infrastructure, governance, and the complicated tax structure. Mr. Kathuria outlined the National Manufacturing Policy that is being put in place to facilitate greater manufacturing activity. This policy seeks to develop the manufacturing ecosystem in India by tackling challenges in R&D competitiveness, skill shortages and mismatches, as well as increasing integration with the ASEAN region. He stressed the importance of IPR protection as well as collaboration between higher learning institutions and the private sector as key policies for fostering capabilities in manufacturing.

Graham Slack, the Chief Economist of Maersk, provided a private sector perspective to the discussion emphasising the dynamism of GVCs with dramatic increases in trade in intermediate goods relative to growth in final demand. The costs of transportation and coordination had fallen to levels which increased access to more distant suppliers, and this trend will continue to spread GVC activity to new destinations. Mr. Slack emphasized the importance of infrastructure and logistics services in strengthening economic connectivity, especially in developing countries looking to integrate more fully into GVCs. During the ensuing discussion participants discussed the new drivers of value chains such as demographic and technological shifts, and the useful new perspectives provided by the TiVA data facilitating a deeper understanding of how benefits are distributed throughout value chains and regions.

Questions were received from several participants, including the delegates from Australia, Colombia, Indonesia, Italy, Malaysia, and the WTO. The debate touched upon how governments support islands of excellence and select the actors and sectors to support, and more generally the role of the market and the public sector in the emergence and governance of the GVC phenomenon. It was stated that GVCs are clearly a market-driven phenomenon, but governments have an important role in shaping frameworks to capture benefits for domestic economies. In India, for example, SEZs are government-driven, and there has been much abuse of this instrument, and the main constraint is land acquisition. The facilitating or inhibiting role of multinational corporations in bringing the benefits of GVC participation to the domestic economy was also mentioned. It is difficult to answer the question of how to pick winners, and it is a political economy question. The tipping point in the unfolding of the GVC phenomenon was also discussed; this could be located in a specific sector (like wood for furniture production in China) or offered by elements such as supply chain management technologies. Regarding the usefulness of data, the OECD is at the beginning of linking the evidence to policies, and this will guide work for the coming years.

Session 3: Integrating into Global Value Chains – Challenges and Benefits

Many developing economies as well as several OECD economies have shifted their development strategies from simple export-oriented models to an insertion into value chains. This trend has led to a diverse set of experiences of GVCS, with low-income countries excluded from access to GVCs, and other developing countries effectively linking to GVCs but facing challenges regarding upgrading their participation. This session explored what benefits integration in GVCs can bring and what policies can help to integrate into GVCs, including trade and investment policies, trade facilitating measures, reforms to the business environment, as well as the use of export processing zones.

The Chair of the session, Raed Safadi, Deputy Director of the Trade and Agriculture Directorate of the OECD, underlined how the on-going OECD work on data gets us closer to counting the cost of protectionism and the benefits of integration and open trade and investment regime, leading to intuitions on policies to maximise these benefits, such as trade facilitation, the role of services, and complementary policies such as focusing on skills.

Sébastien Miroudot, Senior Trade Policy Analyst in the Trade and Agriculture Directorate, provided an overview of the main challenges and benefits associated with the participation of developing countries in GVCs. Through a greater international division of labour, more countries can benefit from trade and joining an existing GVC might be easier than recreating domestically the whole value chain. Recent studies highlight that there are potentially high gains in reducing barriers to supply chains, particularly for small developing
countries. There are, however, a certain number of challenges. A variety of barriers can discourage foreign firms from sourcing their inputs in the domestic economy, such as traditional trade and investment barriers. While border barriers remain important, emphasizing the importance of trade facilitation, there are reforms behind the border that are strategic, in particular in key services sectors that are the links needed for the development of value chains (transport, logistics, financial and other business services). Private practices of firms can also represent new challenges for governments. At the end, productivity can be increased in a given place through a set of complementary policies that allow goods, services, capital, people and technology to flow in, as well as links to be created with global consumers and buyers.

Anabel Gonzalez, Minister of Foreign Trade of Costa Rica, provided a snapshot of Costa Rica’s participation in GVCs. Merchandise exports have multiplied by 6.5 and FDI inflows by 14 over the past decades, highlighting the integration of the country’s economy in GVCs. 37% of exports are GVC-related, most importantly in electronics and medical devices. Policies along five main pillars have made possible this evolution: i) strategic vision and leadership: although GVCs are market-driven, government action and political will to participate in GVCs can enable good coordination for GVC integration; ii) a sound business environment including economic and political stability, open trade and investment regime and the existence of EPZs; iii) a solid trade platform, including numerous multi/bi-lateral and regional trade agreements and a robust transportation network; iv) an educated workforce, built on a good quality education system and that is cost competitive; v) privileged geographic location close to the USA and in the heart of the Americas. The issue of deepening participation in GVCs and better understanding the phenomenon remains high on the domestic agenda. Costa Rica is collaborating with KDI and IDE-JETRO, and the OECD Development Centre, in this area.

Umut Gür, Head of the Department of Industry, Ministry of Trade and Industry of Turkey, used the example of the furniture sector in Turkey to highlight how different factors will affect the decision or capability of firms to upgrade or not – external risks linked to the macro-economic context and internal risks linked to the firm’s capabilities. Most policies that seek to support firm upgrading, and eventually GVC integration focus on the former: how to create an enabling environment for firm upgrading. Policies should also seek to enable learning between firms on how to overcome the internal risks linked to firm capabilities, in a collective effort between the public and private sectors. Subsidies to R&D and other firm activities are also a way for the public sector to alleviate the internal risks linked to upgrading.

Ibrahima Wade, Permanent Secretary of the Stratégie de Croissance Accélérée, used the example of Senegal to underline the plight of Africa when it comes to integration into GVCs: erratic GDP growth, flat growth in exports, a concentration in traditional and non-processed exports, and low integration into GVCs. Challenges include a low skilled workforce, absence of innovation policy, weak SME structure, low labour productivity. On the other hand, opportunities include generous endowments in natural resources, a good potential in terms of logistics and infrastructure (continuously improving) and policies designed to attract FDI and raise competitiveness. In this context, what can be done to orient investment towards sectors with potential for increased competitiveness and connection to GVCs? FDI and competitiveness policies need to better target sectors that are integrated in GVCs, in particular multinationals that participate in GVCs. There is also a need for a more focused R&D and innovation policy. In Senegal, an annual Competitiveness Forum, organised by the government, is the opportunity for the public and private sectors, including foreign firms, to discuss and propose the focus of the national competitiveness policy.

Questions from workshop participants (namely, delegates from Tunisia, Colombia, and Malaysia) included a discussion on whether a high share of SMEs in the domestic industrial structure means a higher barrier to enter into GVCs, and how do you ensure linkages between national SMEs and GVCs; What type of institutions are needed to implement policies to integrate into GVCS; How do you consolidate some of the external requirements that come from the number of PTAs with domestic regulation requirements; and other topics.
Key-Note Speech by the OECD Secretary-General

The Secretary-General welcomed participants to the workshop, and underlined that the workshop is an important opportunity to exchange views on better policies to enhance development and competitiveness through integration into GVCs. The workshop aims to foster the exchange of experiences and peer-learning among countries integrated into GVCs, on how best to design and implement policies to attract and retain investment and promote upgrading of skills and technology.

Open markets are a sine qua non for global growth and prosperity. The rising importance of Global Value Chains (GVCs) is clear proof of how many countries can benefit from the creation, production and export of a given product. The rise of GVCs creates promising new prospects for developing countries. By reducing the cost of imports as well as exports, and by deepening connectivity with the global market, developing countries can tap into GVCs to accelerate their trade and income growth. However, harnessing the power of trade has been particularly challenging for the least developed economies. To overcome existing constraints and integrate into GVCs, developing countries can open up to foreign trade and investment, improve infrastructure, strengthen trade facilitating measures, and improve the business environment.

But integration in GVCs is indeed only a first step. To strengthen the benefits that developing countries draw from their engagement in GVCs, governments should strengthen the business environment and support investment in knowledge assets, such as R&D and design that enable firms to differentiate their products. They should also strengthen the services sector and foster the development of key economic competencies, notably skills. Such domestic policies can help countries climb the global value chain ladder and prevent them from getting stuck in low-value activities. Countries can be supported in these measures by initiatives such as aid for trade.

Session 4: Upgrading in Global Value Chains – what policies and reforms are needed?

The distribution of value and benefits within GVCs varies significantly. The high degree of specialisation of production stages and the related accumulation of firm-specific knowledge rather than industry-specific or broadly applicable knowledge may lead to the formation of isolated production pockets in the country and limit positive spill-overs to the domestic economy. This session provided the opportunity to discuss policy experiences that seek to increase positive spill-overs from GVC integration to the domestic economy, including discussion of the political economy of reform. It focused specifically on policies that can support the upgrading of engagement in value chains, including improvements in the business environment, investments in infrastructure and skills, innovation policies, etc.

The Chair of the Session, Sanghoon Ahn, Managing Director, Korea Development Institute, introduced this session as perhaps the most challenging one of the entire workshop, in the sense that it tackles the question of what actors should do to integrate into and upgrade in GVCs.

Anna Jankowska, Policy Analyst, and Jose Ramon Perea, Economist, of the OECD Development Centre, introduced the session by explaining what is meant by upgrading: this refers to capturing or creating more value in the chain. Upgrading is particularly pertinent to the discussion of GVC-led development because it conditions the economic performance and social welfare benefits (quality of jobs, income level) of GVC participation. Value is not evenly distributed in GVCs – upstream activities like R&D and design as well as downstream activities such as marketing and distribution i.e. less replicable tasks, hold more value. Developing countries often get locked into downstream activities like assembly. What needs to happen for a country to upgrade within GVCs? The diverse experiences, even in similar geographic regions, show that there is no uniform pattern for this. There are also different types of upgrading for firms that largely depend on the firm’s capabilities and its knowledge-based capital: process – product – functional – chain upgrading. Some key questions to consider in this topic are what is the policy mix to avoid the locked-in effect? What standard policies can be adopted for upgrading? How to best engage the private sector, which will know the needs of the industry, in the process?
Soumia Iraqui, Director for Innovation, Ministry of Trade and Industry, Morocco, exposed the principal policies and reforms Morocco has implemented, and how they have transformed Morocco’s participation in GVCs. Morocco is a state of law and a number of legal instruments protect investors and investments. The country has a coherent, balanced and long-term development strategy, based on stability of public finance and public debt, free trade agreements and regional integration, and human development and social investment. Morocco has also undertaken several major investment programmes, in particular in the infrastructure sector, which have allowed the country to leap frog to attract FDI and become much more competitive, with access to 1 billion consumers and the best delivery platform to Europe. Industrial strategy, since 2007, has been based on three pillars: leveraging global activities in specific sectors (automotive, etc.); enhancing the competitiveness of SMEs thanks to targeted programmes; and the promotion of FDI through the Moroccan Agency of Investment Development. The results cannot be denied: in 5 years, industrial exports have risen 10.8% and their structure has been transformed, as has that of FDI. Morocco has also accepted the challenge of building a knowledge-based economy, and is implementing a national innovation strategy (Maroc Innovation) aimed at improving firm competitiveness, in particular that of SMEs, in order to enhance their linkages to GVCs.

Ivan Jukl, Director General, Economic Section, Ministry of Foreign Affairs, Czech Republic explained how shifting global wealth will drop all but two European countries from the top ten economies by 2050 and that Europe already lags behind the USA in terms of innovation. The risk of stagnation and eroded competitiveness is especially relevant for the Czech Republic, with 80% of exports to the EU, 20% to Germany. The worst case scenario is that the Czech Republic is reduced to a passive supplier and the standards of its education system start falling. In order to not lose innovative capacity, it is necessary to benchmark internationally, diversify exports and implement policies that are driven by global demand. It is also important to measure the impact of R&D spending to direct it more strategically (the example of Finpro of Finland in providing market analysis and strategy is useful for a more responsive innovation policy). The crisis should not be used as an alibi to shirk away from reforms, which are made more urgent by the global outlook. The GVC exercise provides a useful narrative to motivate politicians towards these changes, as the narrative of threat is often a stronger one than that of opportunity.

Khoo Boo Seng, Senior Director, Strategic Planning Division, Ministry of International Trade and Industry, described Malaysia’s Economic Transformation Programme, launched in late 2010 and currently in its third year of implementation. Policy reform is not easy, but painful, starting with admitting that there is a problem. In the case of Malaysia, this was the middle income trap and a stagnating economy. The new model proposed: 1. High income US 15,000 by 2020; 2. Inclusive growth; 3. Sustainable for future generations (“make everyone rich for a long time!”). The first principle was to focus on select sectors: leading to the choice of 12 economic areas, chosen based on income and job generation capacities, through an inclusive and thorough process, with private sector and civil society participation. The results are audited yearly by the private sector, with an annual report on progress. The second principle was to focus six enablers: Competition, public finance, public service delivery, human capital development, the government’s role in business, and narrowing disparities. After three years, results include 50% increase in GNI / capita, 5.6% GDP growth, reduction of fiscal deficit, and much more.

Joonghae Suh, Senior Economist, OECD Development Centre / Research Fellow, Korea Development Institute, noted that radical changes have taken place in Korea’s export commodity profile, from 1960s to today, with almost total import liberalisation by the end of 1990s. How were linkages between domestic policy options and the global environment made? Intense discussion was led in Korea on how to shift from investment driven development to innovation driven growth, but the opportunity for reform was not seized, leading to the economic crisis of 1997. This may have been a blessing in disguise, allowing for the implementation of important reforms, including public, financial, corporate and labour market restructuring. Two principles underlined these reforms: market opening and expanding safety net. Some other key characteristics of this transformation were the restructuring of conglomerates (chaebols), the increase in R&D spending (in particular by the private sector), brain circulation of students via foreign universities. The growth and globalisation of Korean firms have not always, however, brought more employment at home – LG, for example, has not increased employment at home since 1992. The current system still contains some weaknesses: seven large
Korean enterprises represent a majority of Korean patents – smaller companies face many challenges. Likewise, difficulties also persist in promoting venture capital investment, in particular when compared to countries like Israel and Finland. Finally, according to the OECD TiVA country note, the services content of Korea’s exports is the fourth lowest of OECD countries, and according to the Bank of Korea, the value added of Korea’s exports is lower than other country averages, and Korea is suffering worsening terms of trade. All these factors call for a new approach to Korea’s development strategy.

Comments from delegates (Italy, Korea, Turkey, and the Secretariat) regarded the creation of synergies between firms; whether the geographical location of countries is actually more important than other factors are in defining success in accessing and upgrading in GVCs, and can it really be overcome by other factors like a business friendly environment or a skilled workforce; the danger of using the smiley-curve – there can be value in the middle, someone needs to be in the middle, not everyone can be on the sides. It was also discussed whose responsibility it is to determine upgrading in the GVC and if we right to be focusing only on governments’ roles? It was underlined that policies have not been defined in a top-down manner by governments only, but in partnership with the private sector and others, which is at the heart of their success. On the question of geo-strategic location, for example Morocco is well endowed, but this is not sufficient – location by itself is not sufficient, and needs to be accompanied by the right policies.

Session 5: The Changing Dynamics of Global Value Chains – what’s next?

Global value chains change as costs increase and firms reconsider their operations across countries. For example, in recent years, some US firms have brought certain activities back to the US market, due to increases in costs in emerging and developing economies, changing perceptions about the stability of value chains, and new technologies that are enabling more tailored production closer to the home market. At the same time, new value chains are emerging that are strengthening networks between emerging and developing economies, sometimes with only a limited role for advanced economies. This may also offer new opportunities for countries that have thus far not been integrated in GVCs. This session explored the changing dynamics of GVCs and what this may imply for future policy making to benefit from GVCs.

Participants held an insightful discussion on the “Changing Dynamics of Global Value Chains (GVCs)”, which provided indications for future work orientations and next steps. Dirk Pilat, Deputy Director, Directorate for Science, Technology and Industry, OECD, Chaired the session, and invited three experts to kick off the discussion by providing their country’s policy perspective on the changing dynamics of GVCs, the understanding of new trends, changing perceptions, new technologies and opportunities, what it means for employment, and for national policies, and the role of emerging and developing countries in GVCs.

Dermot Curran, Assistant Secretary General, Science, Technology, Innovation and Inward Investment Division, Department of Jobs, Enterprise and Innovation, Ireland, described the Irish case. Ireland has experienced internal and external shocks that have affected the country significantly. Despite this, Ireland benefits from a certain optimism to create competitiveness and take advantage of up-swings in the market, and to best optimize its position in GVCs. Mr. Curran highlighted the approach of Ireland to move up the value-chain, using all of its political capital, which is timely in light of its current presidency of the European Union. It strives to maintain its position in GVCs through FDI, education, science and technology, innovation, research and development, indispensable to its open economy. Mr. Curran referred to Ireland’s focus on policy measures to support transformation through the “5 Ts”: “Talent” (educated, English speaking work force), “technology”, “tax” (attractive strategy), “technology” (track record talent), and “transformation” (to ensue efforts to help companies ensure brokering solutions, grow and maximise their values).

Alejandro Faya, Director General for Foreign Investment, Ministry of Economy, Mexico, provided his views from the perspective of Mexico, on the key role of investment and competitiveness policies for GVCs. He stressed the importance to reap the benefits of STI, for production, employment, and innovation, among others. He highlighted the need to open markets to trade and foreign direct investment in ways to foster prosperity, competitiveness and growth, and to facilitate access to GVCs. He urged for more structural changes,
taking advantage of comparative and competitive advantages, using more and better investments. Mr. Faya referred to policy measures in areas such as: production activities and human capital (critical to move up in the value chains), more competitive supply services and infrastructure, regulatory improvements; and access to finance, in particular for SMEs.

Hironobu Kitagawa, Director of Service Industry Division, Creative Industries Promotion Department, Japan External Trade Organization (JETRO) provided insight on the Japanese experience. He described new opportunities for GVCs, and highlighted the need for countries to attract investment with important outcomes in economic terms. He stressed the relevance of GVCs to Asia and opportunities for emerging and developing economies. Mr. Kitagawa highlighted interesting perspectives on changing population trends, the globalisation of Japanese companies and new trends in foreign direct investment, with insights on key measures for success and their policy implications. Finally, he mentioned the motivation of Japanese service companies to work overseas, due to their anxiety around the decline in domestic demand. He described the implications for FDI of Japanese companies, which should not only focus on manufacture but take advantage of a new tide from service industry, crucial to creating a win-win policy for both, and establishing good networks within.

In the lively debate that followed, participants from Colombia, Costa Rica, Italy, Ireland, Japan, Mexico, Russia, Turkey, and the United Kingdom made specific comments. Participants exchanged views on their country’s experience and drew parallels on new opportunities and changes through advancing technologies that may allow countries and firms to bring back certain productions to their own countries (China, for example), key considerations for the country perspective of GVCs, and the concept of the country of origin, which often disappears. During the debate, industrial policies were highlighted as key as they can influence the understanding of international policies and affect the dynamics of GVCS. Other factors include trade-offs that are created through production costs (off-shore, back-shore, constantly happening), trade agreements, GVCs exchange rates, as well as the effects of risk factors: earthquakes, and tsunamis (Japan), and massive flooding (Thailand). Effective policy measures and incentives will allow for more flexible labour markets and more open foreign trade in services (the example of EU was given, as these two conditions have not been met), and help tackle trade barriers to the global economy and platforms, including many agreements on global markets (EU transport partnerships, for example). For labour markets, through investment in GVCs, the incentives of multinationals can be geared towards improved wages and creating better jobs, as is the case for example in African countries. Picking the winners and the right policies are key, along with issues such as financing for SMEs, and management capacities to change the mindset, currently too local-oriented.

**Session 6: Conclusions and next steps**

Four main points were underlined in the concluding remarks.

1. The workshop showed that the **evolving structure of trade and investment is creating new opportunities** for countries in OECD and developing countries. This also poses risks and challenges, notably to some areas of the world. Although GVCs contain the word “global”, **these chains are often regional in nature**: NAFTA, Europe, Asia, Latin America and especially Africa remain left out from these GVC. Several presenters highlighted that the cost of being left out from GVCs is high and is going to become higher.

2. The need for better data is acknowledged across the board. Several participants stressed the need to better understand the dynamics of GVCs to inform policies. This requires better data and better understanding of how enterprises operate – both multinational enterprises and domestic suppliers. All participants stressed the usefulness of the OECD-WTO work on trade in value added and encouraged the OECD to go further. Countries are welcome to join this database and the secretariat would be happy to work with you to extend its coverage.

But there is also need of going deeper. For example, Malaysia and other countries stressed the importance of **understanding the income and employment implications of GVCs and to look at the specificities of sectors**. Turkey and Colombia pointed to the importance of understanding how enterprise learning takes place and the Czech Republic pointed to innovative capabilities. Italy stressed the importance of looking at the role of lead firms in GVC in promoting upgrading.
Participants heard that the OECD is well-placed to look into this complex reality because it brings together the data on TiVA, the analysis on multinationals, and the analysis of the whole range of policies (industry, trade, investment, development) that affect a country’s capacity to insert into the GVC and upgrade.

3. **Better policies** are needed. Many participants stressed the need of collecting more evidence on the role and impact of horizontal and vertical policies in supporting integration into GVC, upgrading and coping with risks. Several participants, for example Australia, Chile, Uruguay, pointed to the importance of understanding how targeted and horizontal policies help the private sector reaping the benefits of globalisation: what are the complementarities among policies? Are there successful examples of vertical policies, such as supplier-development programs? What are the necessary institutions to implement those policies? What are the welfare implications? These are very relevant points and the OECD will continue its analysis to understand how policies work.

4. The dialogue on policies and reforms to implement is only beginning. Participants stressed useful examples from several countries and how they benchmark their performance to others. Several countries underscored the importance of benchmarking policies and engaging in peer learning. The Czech Republic is benchmarking Finland; Senegal is mimicking Costa Rica; Costa Rica mentioned Malaysia for their policy of attracting FDI in knowledge-intensive industries. Korea implemented several reforms to improve competitiveness and achieve structural transformation.

Future dialogue will need to address HOW to do this. The experience of policy design and implementation in a multi-disciplinary area cannot be easily codified in a textbook. It is a type of knowledge that is tacit and very much context specific and, therefore, not easily transferable without adaptation, trials and errors. This underscores the relevance and usefulness of the policy dialogue initiative, launched in conjunction with the workshop.
### Annex: Participating countries and institutions

#### OECD member countries

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<tr>
<td>Ireland/Irlande</td>
<td>Turkey/Turquie</td>
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<tr>
<td>Israel/Israël</td>
<td>United Kingdom/Royaume-Uni</td>
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<tr>
<td>Italy/Italie</td>
<td>United States/États-Unis</td>
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#### Other countries & Organisations

<table>
<thead>
<tr>
<th>EU/UE</th>
<th>Tunisia/Tunisie</th>
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</thead>
<tbody>
<tr>
<td>Russian Federation/Féderation de Russie</td>
<td>Uruguay</td>
</tr>
<tr>
<td>Indonesia/Indonésie</td>
<td>Viet Nam</td>
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<tr>
<td>Colombia/Colombie</td>
<td>Business and Industry Advisory Committee (BIAC)/Comité consultatif économique et industriel (BIAC)</td>
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<tr>
<td>Costa Rica</td>
<td>UN Conference on Trade and Development (UNCTAD)/Conférence des Nations Unies pour le commerce et le développement (CNUCED)</td>
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<tr>
<td>Dominican Republic/Dominicaine, République</td>
<td>World Trade Organization (WTO)/Organisation mondiale du commerce (OMC)</td>
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<td>Malaysia/Malaisie</td>
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<td>Morocco/Maroc</td>
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<td>Romania/Roumanie</td>
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<td>Senegal/Sénégal</td>
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<td>Thailand/Thaïlande</td>
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#### Experts & Private sector

<table>
<thead>
<tr>
<th>Indian Council for Research on International Economic Relations (ICRIER)</th>
<th>Maersk</th>
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<td></td>
<td>Nordic Innovation</td>
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</tbody>
</table>

165 registered participants