



CHAPTER

From domestic to regional to global:

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inputs are needed, especially if the innovations are related to

Again, this can manifest itself as upgrading in upstream domestic suppliers that respond to competition from foreign producers.

Intersectoral upgrading

Chinese Taipei used its competence in producing televisions to make monitors and eventually (through functional upgrading) to make computers (Humphrey and Schmitz 2002).

Integration for growth: Imports for exports

create tasks has transformed the nature of trade and the scope works. This reorganization of global production has opened opportunities not only for multinational companies and leading companies are able to outsource to more cost-competitive countries, while emerging and developing economies can enter GVCs by taking advantage of a new tradable commodity in which they

but concerns remain that the reallocation of resources induced by such changes may work imperfectly. Although debate concerning body of evidence points to a positive relationship between increases in imported intermediates and increases in competitiveness has been demonstrated to occur through two channels: through the use of a greater variety of intermediates (also more competitively priced) and through technology transfers embodied in the imported products, which is also seen in the greater boost to productivity through imports from developed economies (Bas and Strauss-Kahn 2014). Similarly, a positive relationship has been found between imports and GDP, though with gains distributed unevenly across sectors (Kummritz 2014).

study using OECD–WTO Trade in Value-Added database data

cheap labor still struggle to integrate in GVCs, despite rising wages. In China, a 10-fold increase in average wages in China between 2000 and 2010, its unit labor costs (at the economy level) were little changed and (table 3.1). And Sub-Saharan African economies that generally saw little change in average wages between 2000 and 2010 still ...>...}

Nor do the drivers affect all sectors equally

A similar pattern emerges at the sectoral level, but the importance of services as upstream suppliers to manufacturers)⁸ Perhaps not surprising, given the limited role of foreign intermediates in services, foreign inputs are less important for services. Structural factors such as relative output per worker are also ...>...} differentiate between underlying high-skilled workers (such as software developers) and low-skilled workers (such as cleaners) within the industry grouping, as well as the different nature of the underlying integration process.

Promoting the creation of more sophisticated products has a positive effect only on manufacturing activities (not services),

Regional value chains as enablers of integration into global supply chains

The analysis so far offers two takeaway messages for countries looking to drive growth through integration in global value

evidence points strongly to a lower likelihood of direct engage-
ment in global value chains (GVCs) for most African countries. This
is particularly true for countries with low levels of industrializa-
tion and weak domestic supply chains.

The fact that geography matters, coupled with the fact that
strong domestic supply chains are important enablers of integra-
tion into global supply chains, leads the debate toward regional
value chains as enablers. Currently the best statistical tool used
to measure GVC integration comprehensively is the OECD–WTO
Trade in Value Added (TiVA) database.

provides strong evidence of increased integration in GVCs in most

FIGURE 3.6 &GVGTOKPCPVU QH EJCPIG KP FQOGUVKE XCNWG CFFGF KP GZRQTVU D[UO

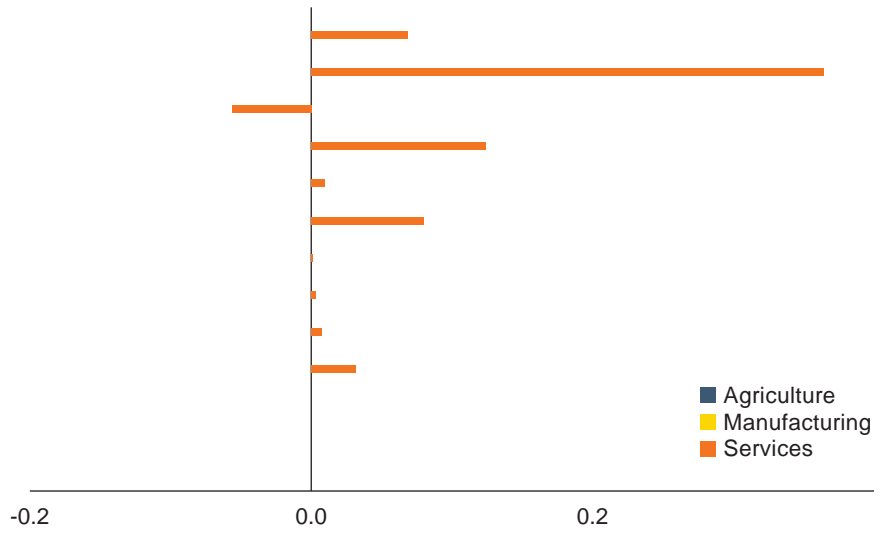


FIGURE 3.9 'ZVTCTGIKQPCN CPF KPVCTGIKQPCN VTCFG KP KPVGTGFKCVGU
Percent of total intermediates trade

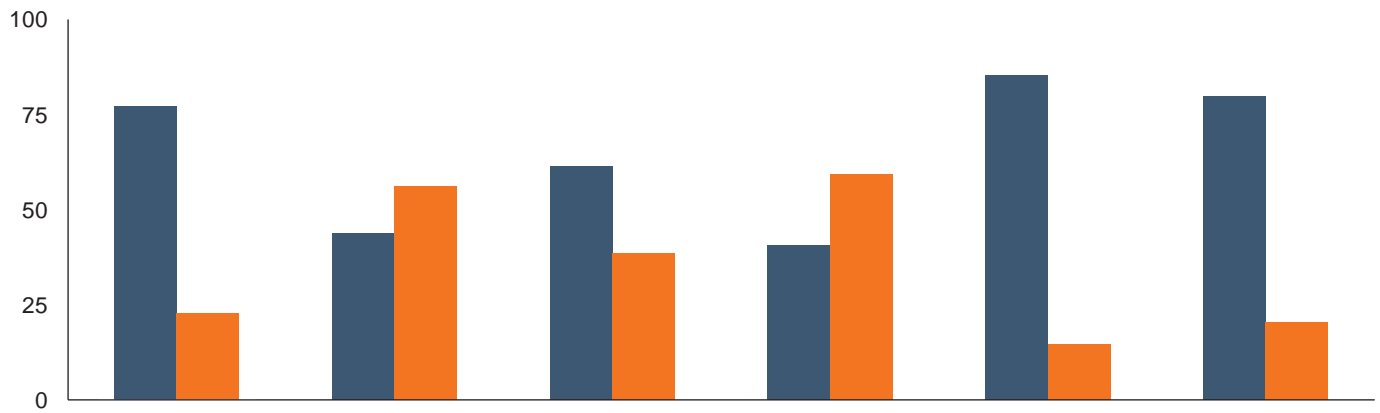


FIGURE 3.11

average in 2014, countries in Latin America and the Caribbean region than to China, 7 times more to the European Union, and 2 times more to the United States (table 3.2).

... (in Bolivia, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, and 100... EV...)
 ... (and then global integration) as well as of improved inclu-

... seen a marked improvement in both integration and economic ...
 ... imity to those chains and markets. The same access for other countries in their regions may not be as straightforward.

But there is scope for improved intraregional integration

... and, potentially, their economic convergence. But intraregional integration, where it does occur, is typically in higher value (technology) production. Intraregional trade is a small share of activity in these two regions, but it does point to the potential to improve regional integration by accelerating structural transformation and to the ability of intraregional integration to serve as a launching pad for greater global integration in higher value products.

... continent's imports, indicating missed opportunities for sourcing commodities internally. Intra-Africa trade has grown only ... emphasizing its considerable unrealized potential. The potential is similar in Latin America and the Caribbean. On (unweighted)

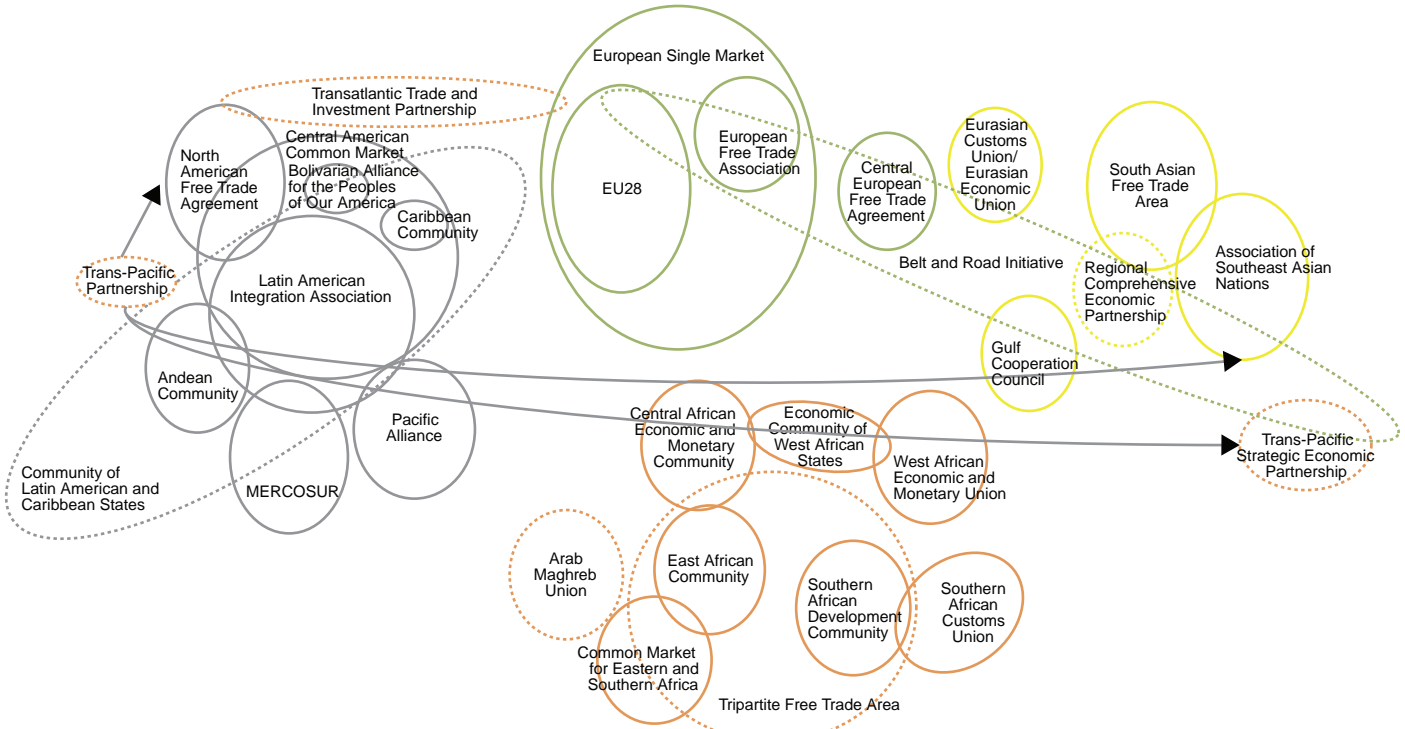
FIGURE 3.16

and by tasks (research and development, design, testing, and
all regions the automotive industry contributes no more than a
questionnaires developed by the OECD Development Centre to

target policy measures in the automotive sector.

Although the automotive industry is highly concentrated, with only a few countries (companies) contributing to global production, its value chain is especially fragmented, both geographically

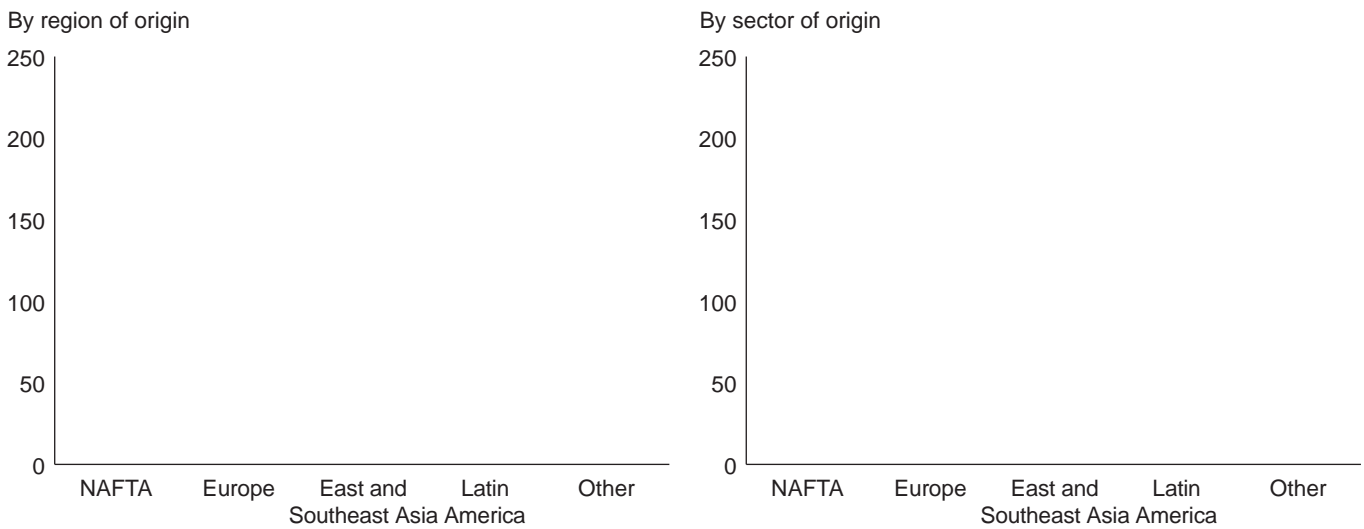
FIGURE 3.18 5GNGEVGF TGIKQPCN CPF OGICTGIKQPCN CITGGOGPVU



Source: OECD and UNCTAD forthcoming.

Note: The size of circles is proportional to the number of members that are parties to the agreement. Dashed lines indicate selected announced megaregional initiatives.

FIGURE 3.19)TQUU GZRQTVU QH OQVQT XGJKENGU CPF RCTVU D[TGIKQP CPF QTKIKP Q \$ (billions)



■ NAFTA ■ Europe ■ East and Southeast Asia
 ■ Latin America and Caribbean ■ Other

From domestic to regional to global: Factory Africa and Factory Latin America?

Improving regional integration may also help address com-
(and indeed costs related to poor infrastructure). This is espe-
cially important since entry to GVCs through cheap labor alone
does not seem to be enough. What appears to matter is the
combination of labor and productivity, in other words unit labor
costs. Its unit labor costs appear to have remained competitive with
those of Sub-Saharan Africa and Latin America. It is important,
therefore, to make inroads in improving productivity, particu-

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TABLE A3.1.2 Description of variables

Variable	Description	Source
Domestic value added used by industry to produce exports	Domestic value added used by industry to produce exports	OECD Inter-Country Input-Output Tables
Capital-labor ratio (log)	Aggregate economywide capital-to-labor ratio	Penn World Tables
Skill intensity	High-skilled workers divided by low skilled workers (aggregate)	International Labour Organization
Relative output per worker	Country output per worker divided by average global output per worker	International Labour Organization
Share of foreign direct investment stocks in GDP	Aggregate share of foreign direct investment stock in country	United Nations Conference on Trade and Development
Rule of law		Worldwide Governance Indicators
Lagged foreign value added in industry	Lagged foreign value added in industry	OECD Inter-Country Input-Output Tables
Tariffs charged (log)	Weighted average applied tariffs (weights from BACI data)	Trade Analysis Information System
Trade covered by free trade agreements	Weighted average trade covered by free trade agreements if countries share an agreement all other trade is covered by tariffs	Trade Analysis Information System and Design of Trade Agreements Database
Count of deep provisions in free trade agreements	Count of deep provisions in free trade agreements	Design of Trade Agreements Database
EXPY variable calculated following Hausmann et al. (2007)	EXPY variable calculated following Hausmann et al. (2007)	BACI
EXPY variable calculated following Hausmann et al. (2007)	EXPY variable calculated following Hausmann et al. (2007)	BACI
Domestic demand (log of value)	Domestic value added from industry that is consumed domestically	OECD Inter-Country Input-Output Tables
Distance to economic activity (log)	Distances weighted domestic value added in consumption of other countries	Centre d'Etudes Prospectives et d'Informations Internationales Geography

Source: Authors

TABLE A3.1.3 Descriptive statistics

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From domestic to regional to global: Factory Africa and Factory Latin America?

OECD (Organisation for Economic Co-operation and Development)

(TiVA) database. Paris: OECD. Available at: <http://www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm>.

Bottlenecks, Create Values. *World Economic Forum*

ing Up Global Value Chains." *Journal of Economic Perspectives* 28 (2): 99–118.