

Global Value Chains: Challenges for Domestic and International Policy



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Presentation to PECC International General
Meeting, 12 September 2015

Plenary Session 5: Challenges of GVCs for Domestic and International Policy Making

TOPIC, *inter alia*: What are the priority issues that need to be addressed to ensure that more of the region's small and medium enterprises can engage in international commerce? How can we strengthen the services sector to promote greater participation in global value chains? What strategies can second and third tier cities pursue to benefit from globalization and integration?



GVCs: opportunities and challenges

- GVCs provide a means for participation in international trade.
- Opportunity for SMEs but ability to participate depends on a range of factors.
- Similar considerations may be relevant to integration of second- and third-tier cities in global trade.



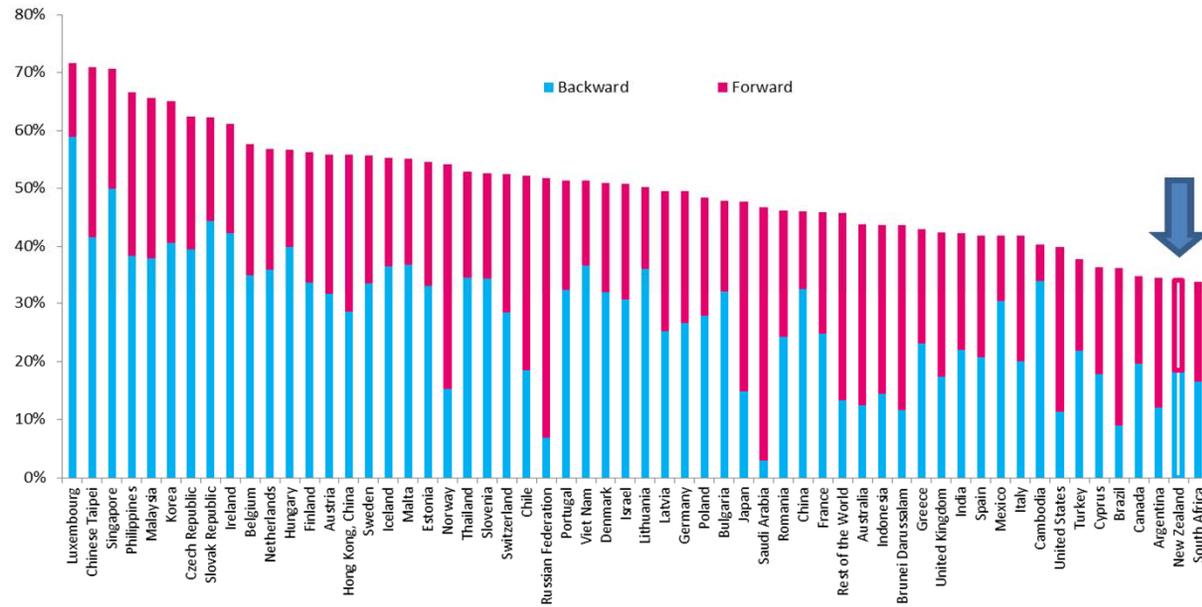
New Zealand's position

- TiVA database launched publicly by the OECD in January 2014: significant contribution to work on GVCs, GVNs, trade in tasks and 'second-unbundling'.
- In aggregate New Zealand's participation in GVCs is significantly lower than many other countries, though fairly high in Agriculture and F&B.



Figure 1 GVC participation index – all sectors

2009, Includes all economies in the OECD-WTO TiVA database



Source: OECD-WTO TiVA database



Factors affecting GVC participation

- First, **'intrinsic' factors**. In New Zealand's case these include:
 - Geographic (i.e. connectivity)
 - Scale
 - Product mix
- Similar factors may be relevant for SMEs and second- and third-tier cities



Factors affecting GVC participation

- Second 'policy', particularly **trade policy**
 - Tariffs
 - ROO
 - Customs procedures/Trade facilitation
 - Standards (incl 'private standards')
 - Services
 - Investment



Factors affecting GVC participation

- Third, factors directly related to **individual firms and businesses:**
 - Brands
 - Finance
 - Innovation
 - R+D
 - IP
- Challenging especially for SMEs.



What is the role of government, especially international policy?

- Heterogeneity makes correlations with domestic policy analysis very challenging. On trade policy:
 - One idea: provide a mechanism for countries to raise instances where a blockage along a GVC prevents completion of that value chain;
 - GVCs underline liberal, trade facilitating ROO are key;
 - Concentrating on liberalising services that directly contribute to successful operation of GVCs may be simplistic and risks distortions.
- Possible conclusion may be that GVCs usefully reframe existing policy issues, but they might not suggest radically new policy measures, but rather continuation of sound policy.

