

Competition Policy and Global Value Chains

UNCTAD Ad Hoc Expert Meeting: the role of competition law and policy in fostering sustainable development and trade

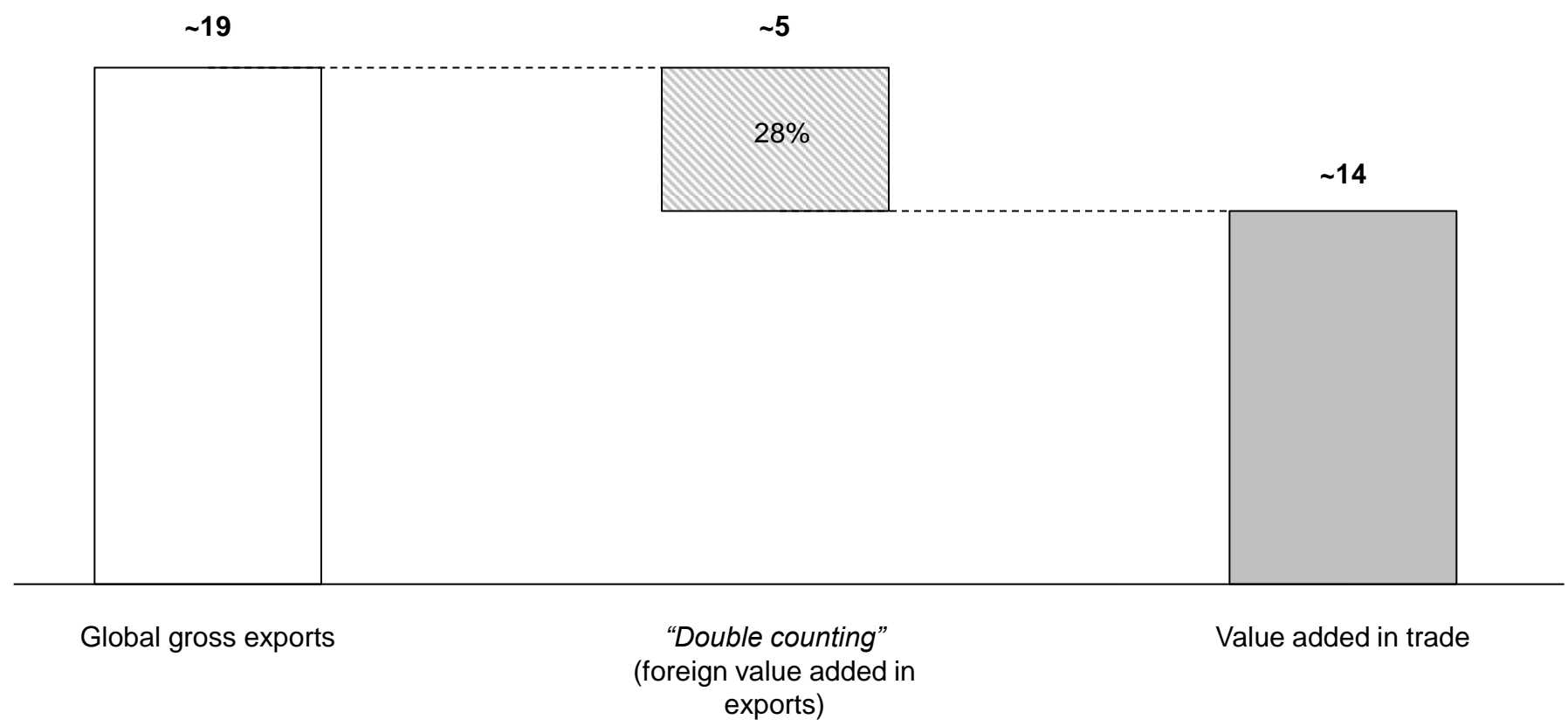
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Trade is increasingly driven by global value chains (GVCs), leading to a significant amount of double counting

Value added in global trade, 2010
(Trillions of dollars)

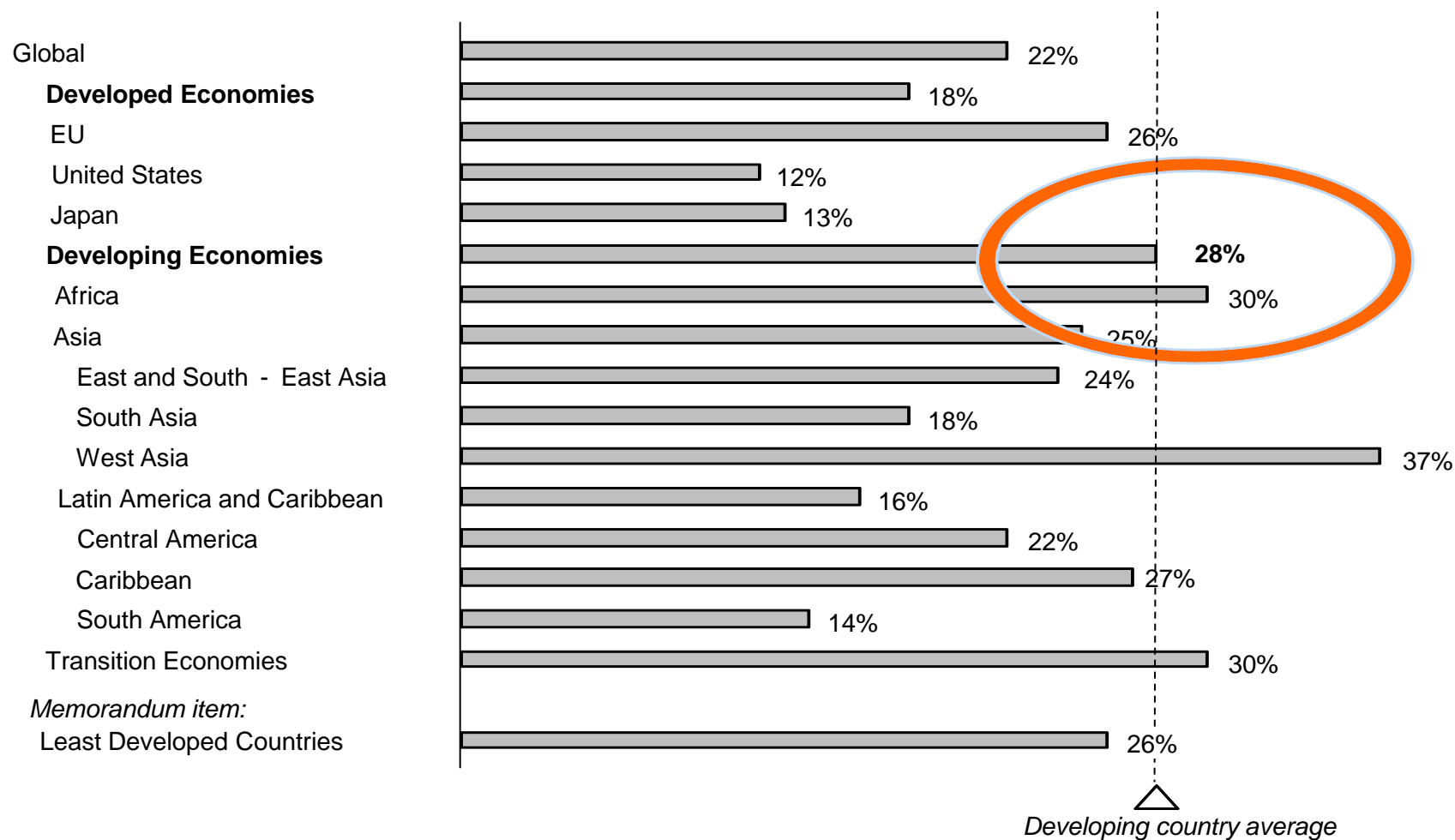
ESTIMATES



The importance of GVCs in domestic economies is significant

Domestic value added in trade as a share of GDP, by region, 2010

(Per cent)

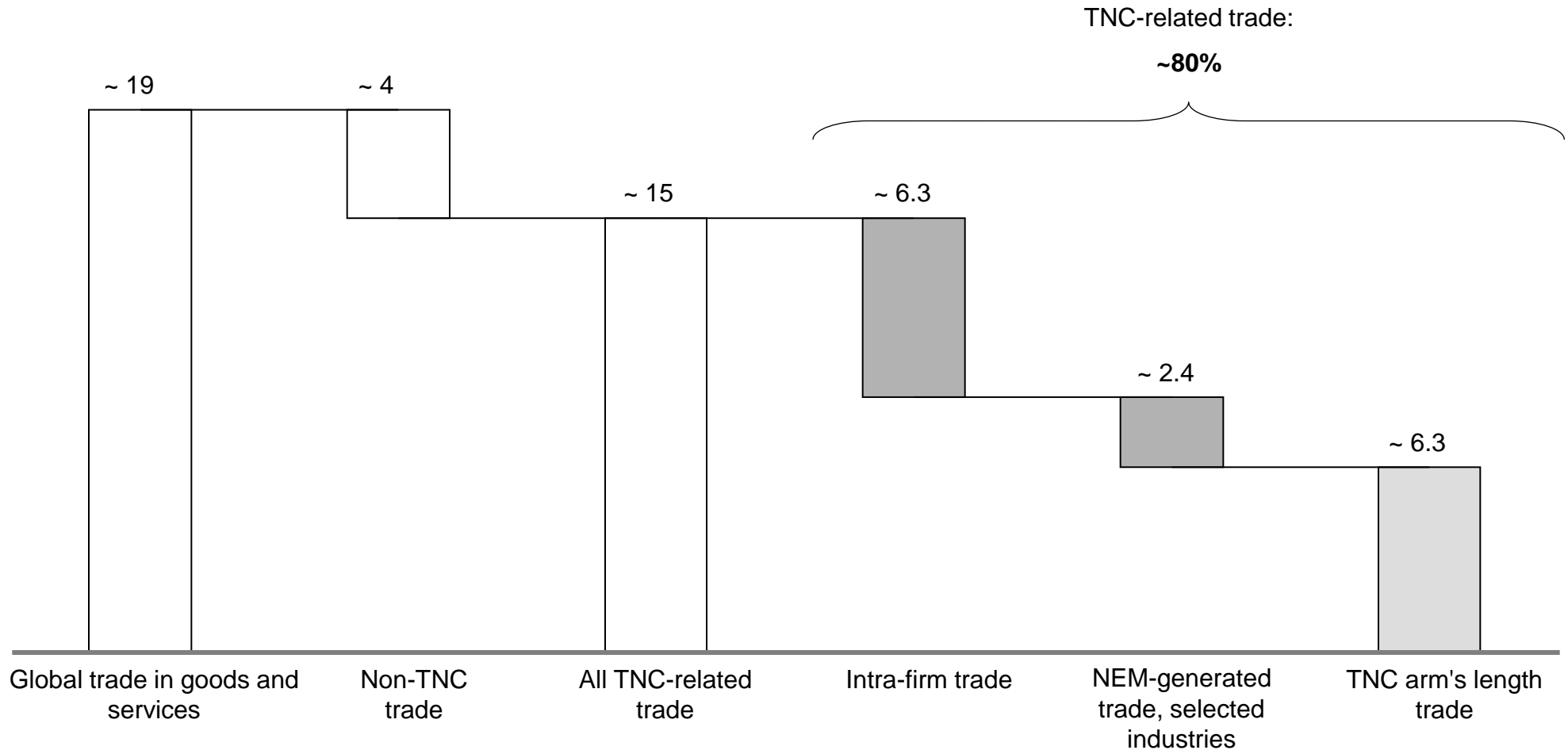


GVCs are typically coordinated by TNCs

Global gross trade (export of goods and services), by type of TNC involvement, 2010

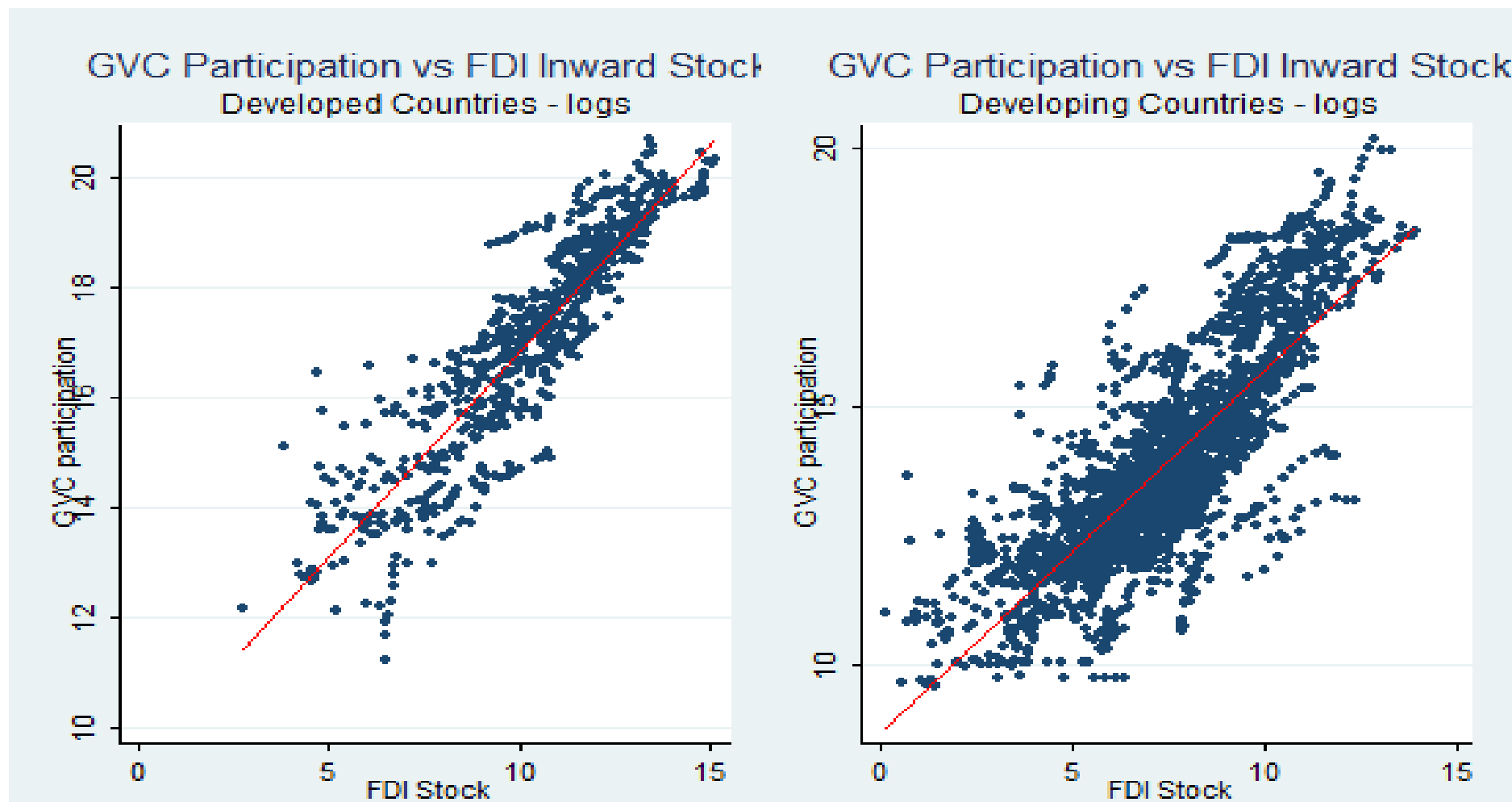
(Trillions of dollars)

ESTIMATES



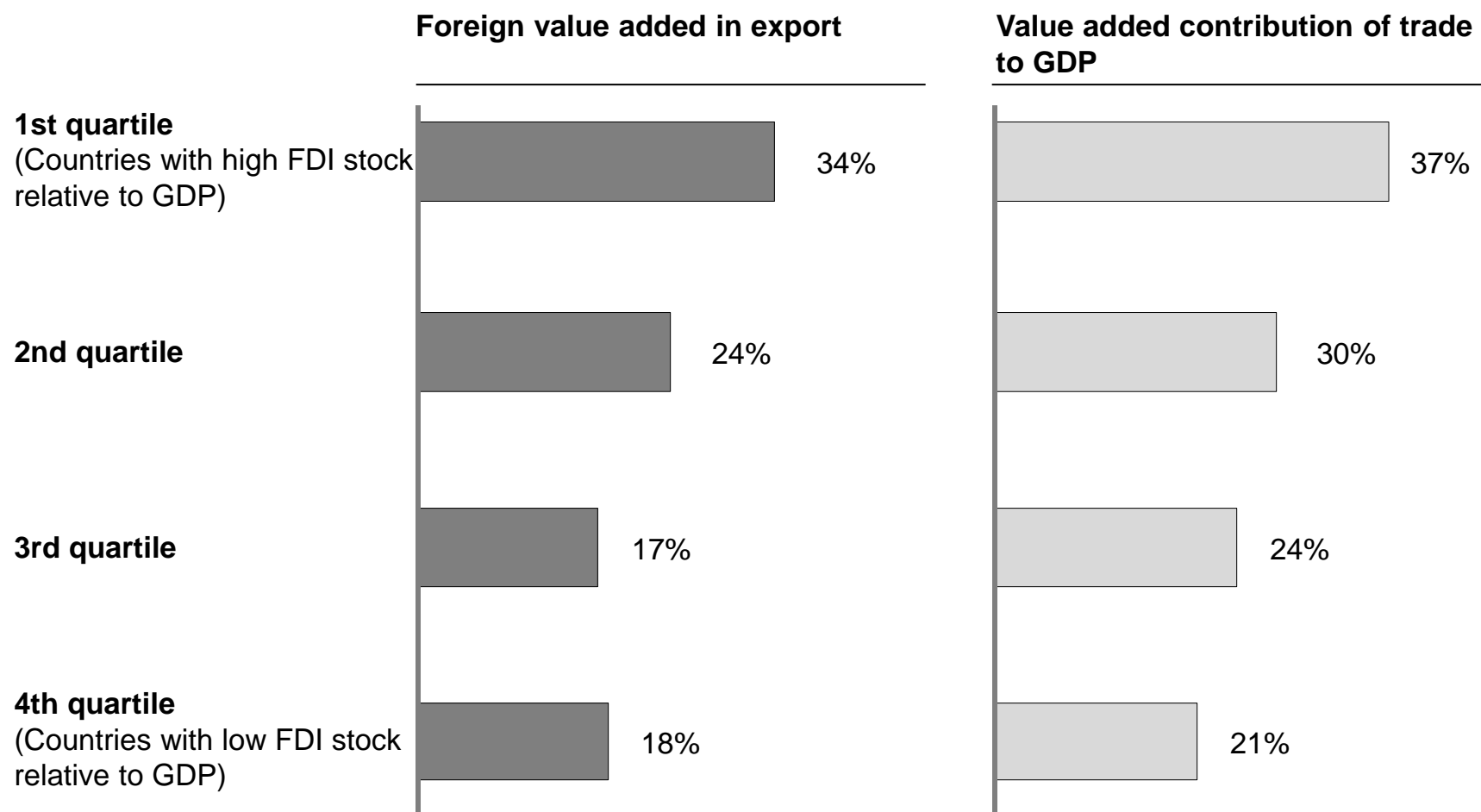
The presence of TNCs drives GVC participation

Correlation between inward FDI stock and GVC participation, 187 countries, 1990 – 2010



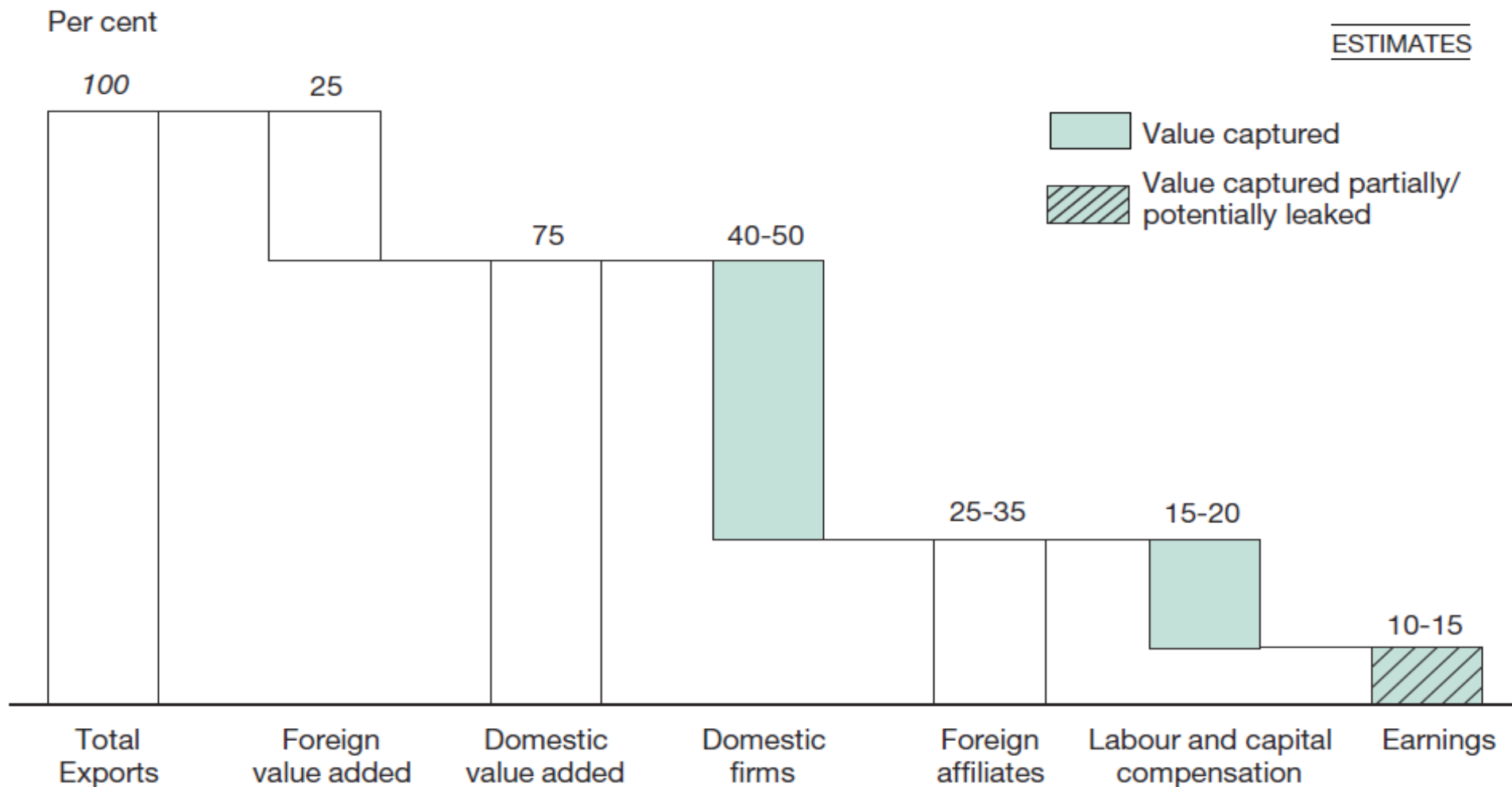
FDI shapes patterns of value added in trade

Key value added trade indicators (median values), by quartile of FDI stock relative to GDP, 2010



Value capture in GVCs depends on several factors

Value capture in GVCs: value added trade shares by component, developing country average



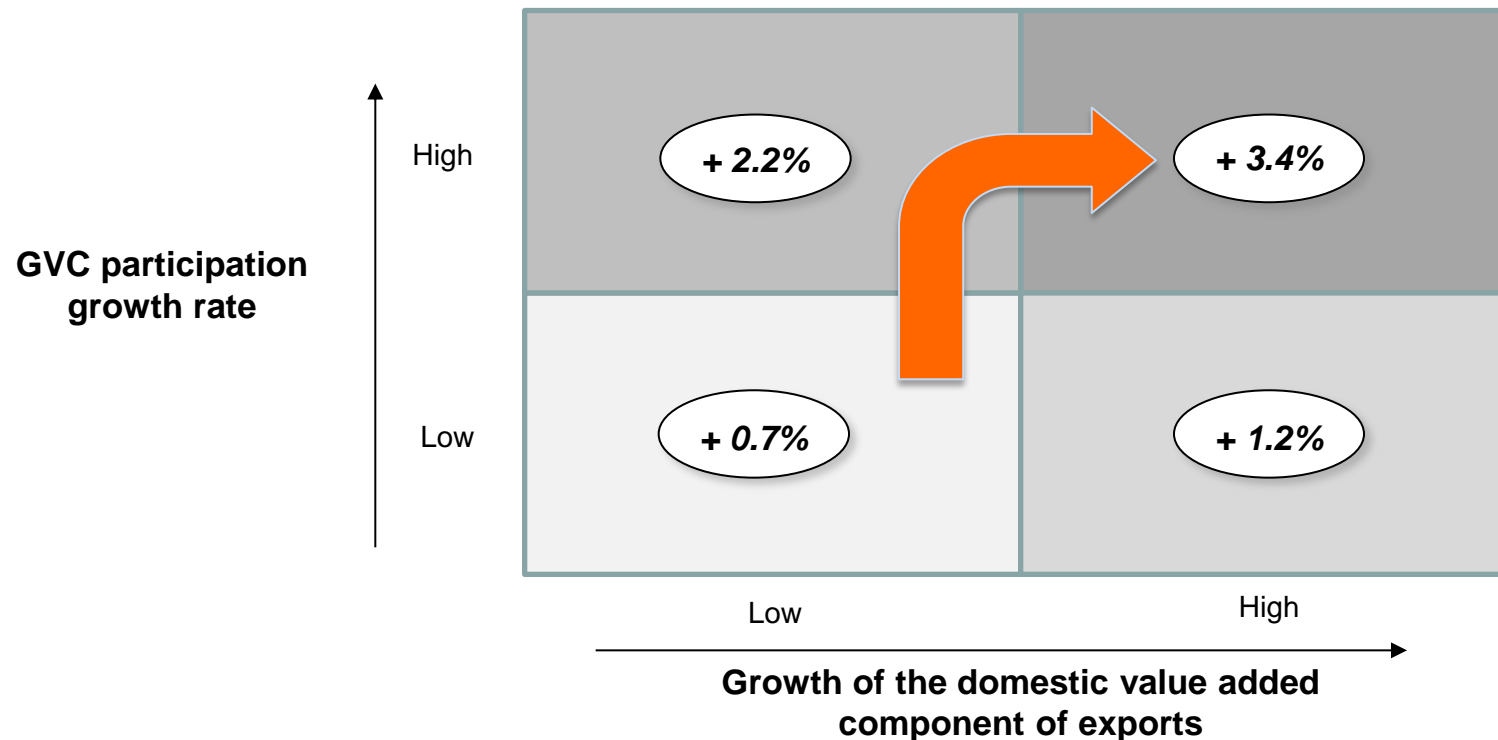
The potential for business linkages can be high both in manufacturing and in services

Country and exporting industry	Share of domestic value added in exports provided by <i>other</i> industries			Examples of other industries adding value to exports	
	Primary/Manufacturing	Services	Total	Manufacturing	Services
Ghana food and beverages	47%	27%	74%	<ul style="list-style-type: none"> • Agriculture • Wood and paper • Fishing 	<ul style="list-style-type: none"> • Business services • Financial services • Transport
Philippines semiconductors	14%	41%	55%	<ul style="list-style-type: none"> • Nonferrous metals • Printing/publishing • Computing equipment 	<ul style="list-style-type: none"> • Business services • Real estate • Education and research
Brazil household appliances	47%	14%	61%	<ul style="list-style-type: none"> • Plastic products • Laminates and steel • Paper products 	<ul style="list-style-type: none"> • Business services • Information services • Transport
Thailand automotive	33%	7%	40%	<ul style="list-style-type: none"> • Knitting (upholstery) • Plastic products • Electrical supplies 	<ul style="list-style-type: none"> • Business services • Financial services • Transport

Longer term, the ideal development path involves not just participation but also domestic value added creation

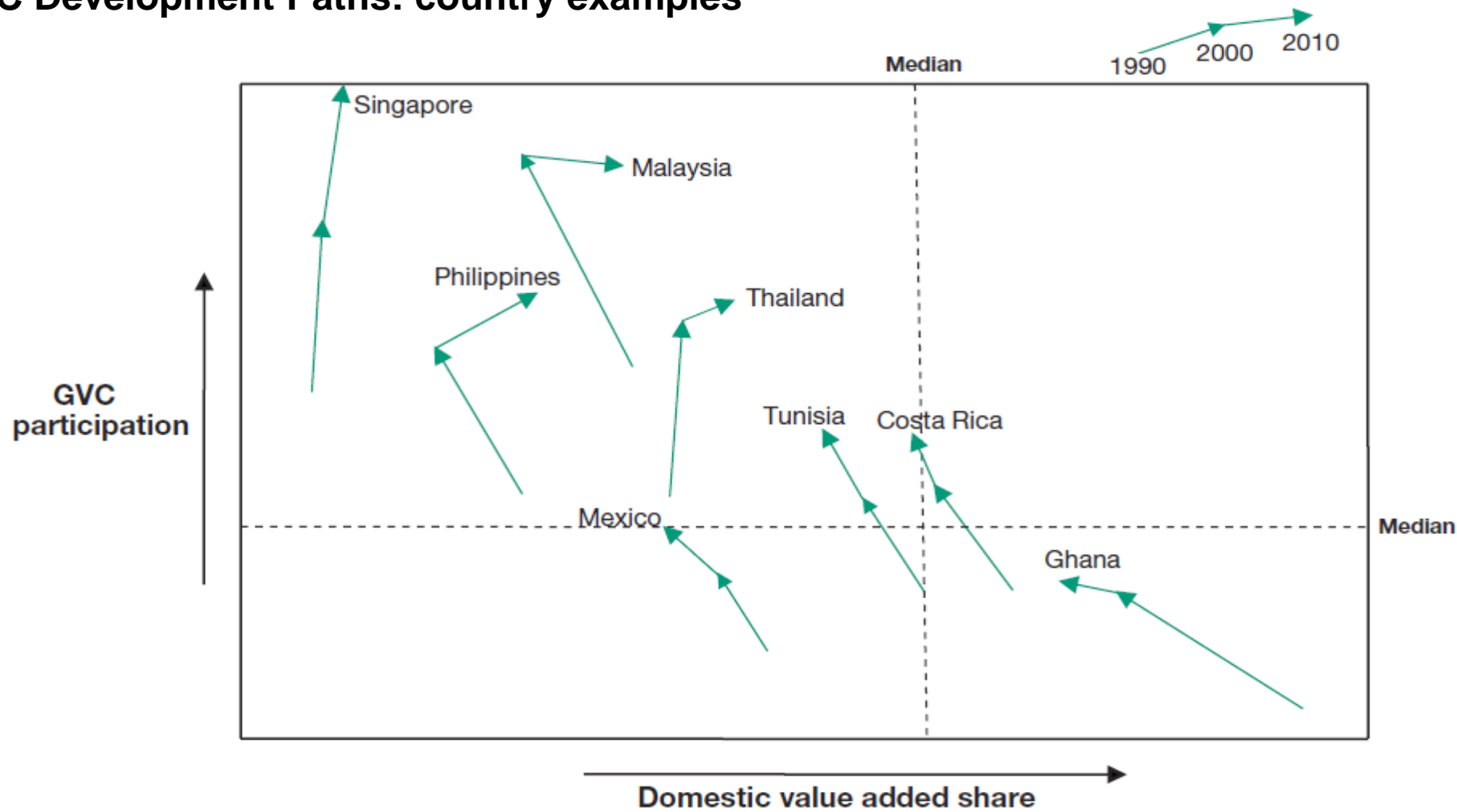
GDP per capita growth rates for countries with high/low growth in GVC participation, and high/low growth in domestic value added share, 1990-2010

+ n.n% = median GDP per capita growth rates

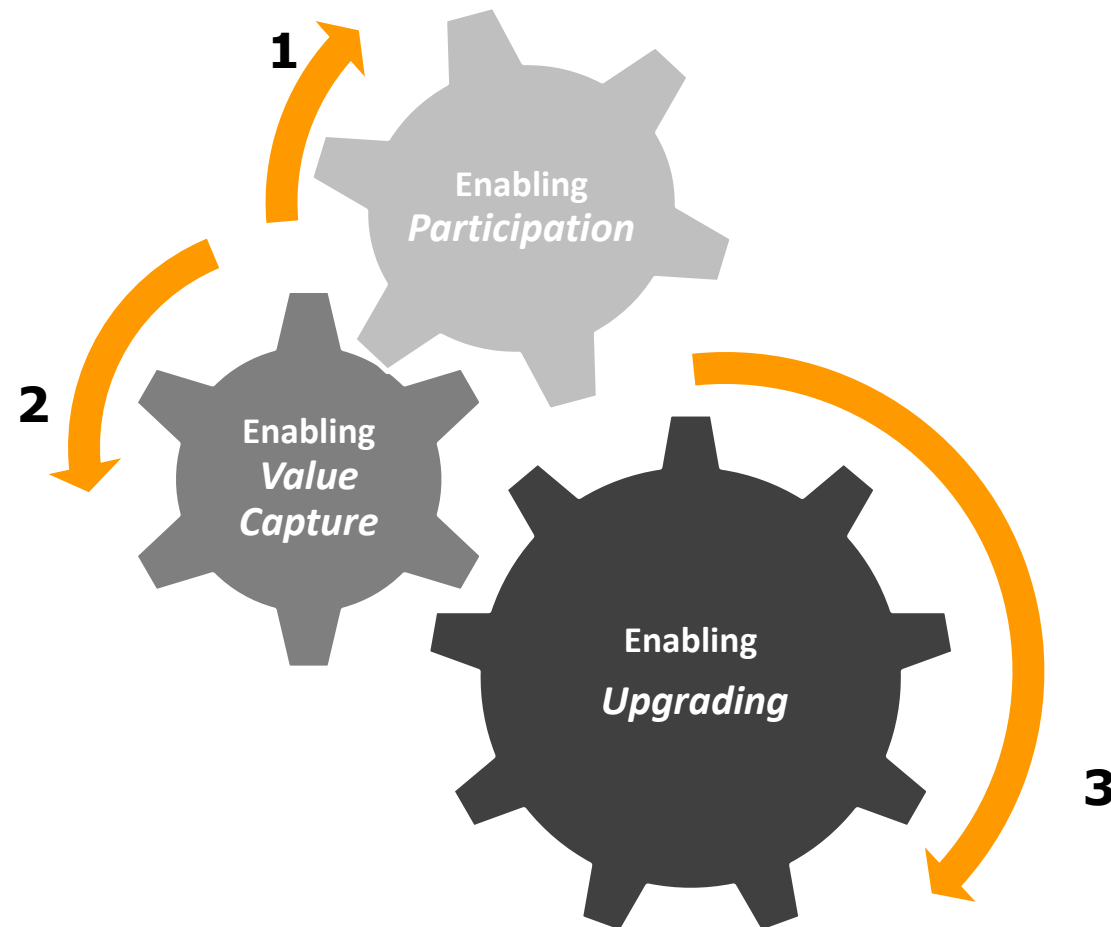


For most developing countries an increase in participation in GVCs implied a reduction in domestic value added share

GVC Development Paths: country examples







The links between competition policy and GVCs



How anti-competitive practices can affect developing country participation in GVCs

ILLUSTRATIVE FRAMEWORK

Anti-competitive practices	Description	Relevance in GVCs*	Main impact		
			Participation	Value capture	Upgrading
Anti-competitive vertical market restraints	<ul style="list-style-type: none"> Contractual or similar arrangements between firms at different levels of production chains that limit competition or entry by new suppliers 		✓	✓	✓
Collusive practices/ Cartels	<ul style="list-style-type: none"> Price-fixing or market allocation arrangements between competing suppliers Limiting the supply or production of goods and services 		✓	✓	✓
Abuse of dominant position	<ul style="list-style-type: none"> Imposing unfair trading terms (e.g. exclusivity) Excessive, predatory or discriminatory pricing Refusal to supply or provide access to essential facilities 		✓	✓	✓
Anti-competitive mergers	<ul style="list-style-type: none"> Combining firms to create a monopoly or dominant position 		✓		

Note: Based on increased incentives for firms to engage in abusive practices, increased opportunities to abuse and potential damage from abuse.

Thank You!

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