Plenary on Item 9: Investment for development: Global Value Chains and Development

Speaker: Institute of Development Studies

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Not checked against delivery *

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World Investment Report 2013

John Humphrey

Trade and Development Board
Geneva, 18 September 2013
My Take Home Messages

• Importance of value chain connections for trade
• Methodological breakthrough
  ➢ International input-output tables
• Policy implications
  ➢ Entry to global value chains
  ➢ Using global value chains for development
• Doing less, but doing it better
• Partnering for export success
Countries with rapidly growing GVC participation grow faster than other countries.
GVC participation and rising import content of exports is not harmful to employment creation.

**Figure IV.25. Growth of the labour component of domestic value added in exports, by level of GVC participation growth and foreign value added**

<table>
<thead>
<tr>
<th>Countries with rapidly growing GVC participation</th>
<th>Countries with low growth of GVC participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries using <em>more</em> imported content</td>
<td>Countries using <em>less</em> imported content</td>
</tr>
<tr>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>14%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: UNCTAD-Eora GVC Database, UNCTAD analysis.
Note: Data for 187 countries. “Countries with rapidly growing GVC participation” refers to the 50% of countries with the highest 2000-2010 GVC participation growth rate. “Countries using more imported content” refers to the 50% of countries with the highest foreign value added share in exports in 2010.
Entry into value chains (2)

• FDI. Find the businesses that know how to succeed and attract them
  ➢ Not always obvious which ones
• Bring the experts to provide advice
• Supportive local environment
Accessing Value Chains

• Educated labour force
• Infrastructure for movement of goods
  ➢ Physical
  ➢ Institutions
  ➢ Support services
• Facilitate movements of people
• New opportunities
  ➢ Garments industry in Ethiopia
  ➢ Linking to the right companies
Succeeding in Value Chains

• Entry does not guarantee success or permanence
  ➢ Competitive markets and investor choices
• Same broad enabling factors
• Chain specific requirements and initiatives
• Work to develop local supporting industries
• Mitigating risks
  ➢ Follow global trends
  ➢ Diversify export sectors
Change in mindset

• Trade in tasks, not products
• The specialised firm – focus on being part of the firm
• Facilitate imports as well as exports
• Use linkages to mobilise knowledge and resources for development