



UNCTAD

UNCTAD XIII Pre-Conference Event

**Policy Dialogue: Redefining the Role of the Government in
Tomorrow's International Trade**

**26 – 27 March 2012
Room XVI, Palais des Nations, Geneva**

**SESSION 1: TRADE POLICY FOR INCLUSIVE GROWTH IN THE 21ST
CENTURY ECONOMY**

Session 1.b: Export Diversification in the 21st Century

***The Rise of Global Value Chains –
How Does it Change the Scope for Trade Policy?***

Ari Van-Assche

The Rise of Global Value Chains – How Does it Change the Scope for Trade Policy?

Ari Van Assche – HEC Montréal

Business as usual or paradigm shift?

- **Mankiw and Swagel (2006)**: “[s]ervices offshoring ... fits comfortably within the intellectual framework of comparative advantage built on the insights of Adam Smith and David Ricardo.”



- **Blinder (2006)**: offshoring is the next industrial revolution
- **Grossman and Rossi-Hansberg (2008)**: “the globalization of production and the evolving international division of labor suggest the need for a new paradigm, one that puts task trade at center stage.”

My argument

- There is no new paradigm needed to understand “trade in tasks”...
- ...but thinking about “trade in tasks” is a paradigm shift by itself.

Implications for trade indicators

Traditional view

- Value chains are local
- “Exported by Costa Rica” = “Made in Costa Rica”
- Exports reflect a country’s international competitiveness
➔ export promotion
- Imports reflect foreign competition
➔ import protection

Today's Globalized Toy

Topper the Trick Terrier is a robotic dog that can talk and stand on its head. But the real trick is where its parts come from. This year 75,000 copies of the dog were made by Qualiman Industrial Co. in Nanhai, China for a Li & Fung American customer, the Original San Francisco Toymakers. It sells for \$29.99 in the U.S.



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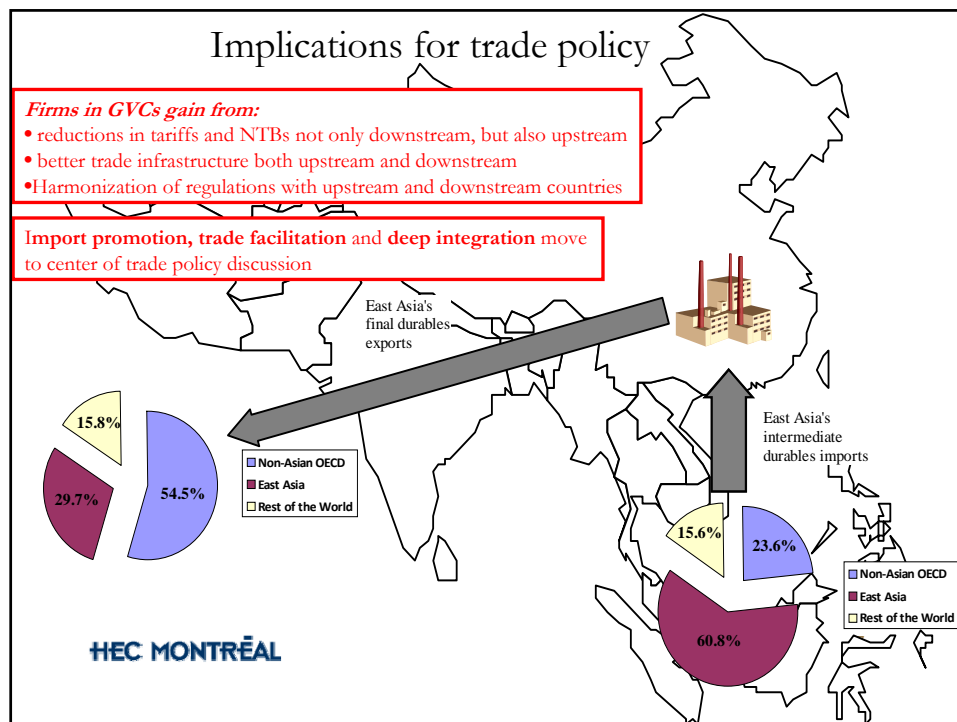
➔ import protection

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GVC Reality

- “Exported by Costa Rica” ≠ “Made in Costa Rica” (69%)
- Exports poor measure of competitiveness
- Imports unrepresentative measure of foreign competition

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Implications for export diversification

- GVCs are a key source of export diversification ... but through a different mechanism.
- By using similar production techniques to combine new import varieties, firms are able to introduce new and upgraded products (Colantone and Crinò 2012)
- ➡ **Import liberalization can foster export diversification**
- Upgrading to higher value added activities within GVCs (*extensive margin of GVCs*) is more difficult.

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