

UNCTAD Multi-year Expert Meeting on
TRADE, SERVICES AND DEVELOPMENT

Geneva, 18-20 July 2017

**The Servicification of Global Value Chains:
Evidence and Policy Implications**

by

Sébastien Miroudot
Trade and Agriculture Directorate
Organization for Economic Cooperation and Development

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



The servicification of global value chains: evidence and policy implications

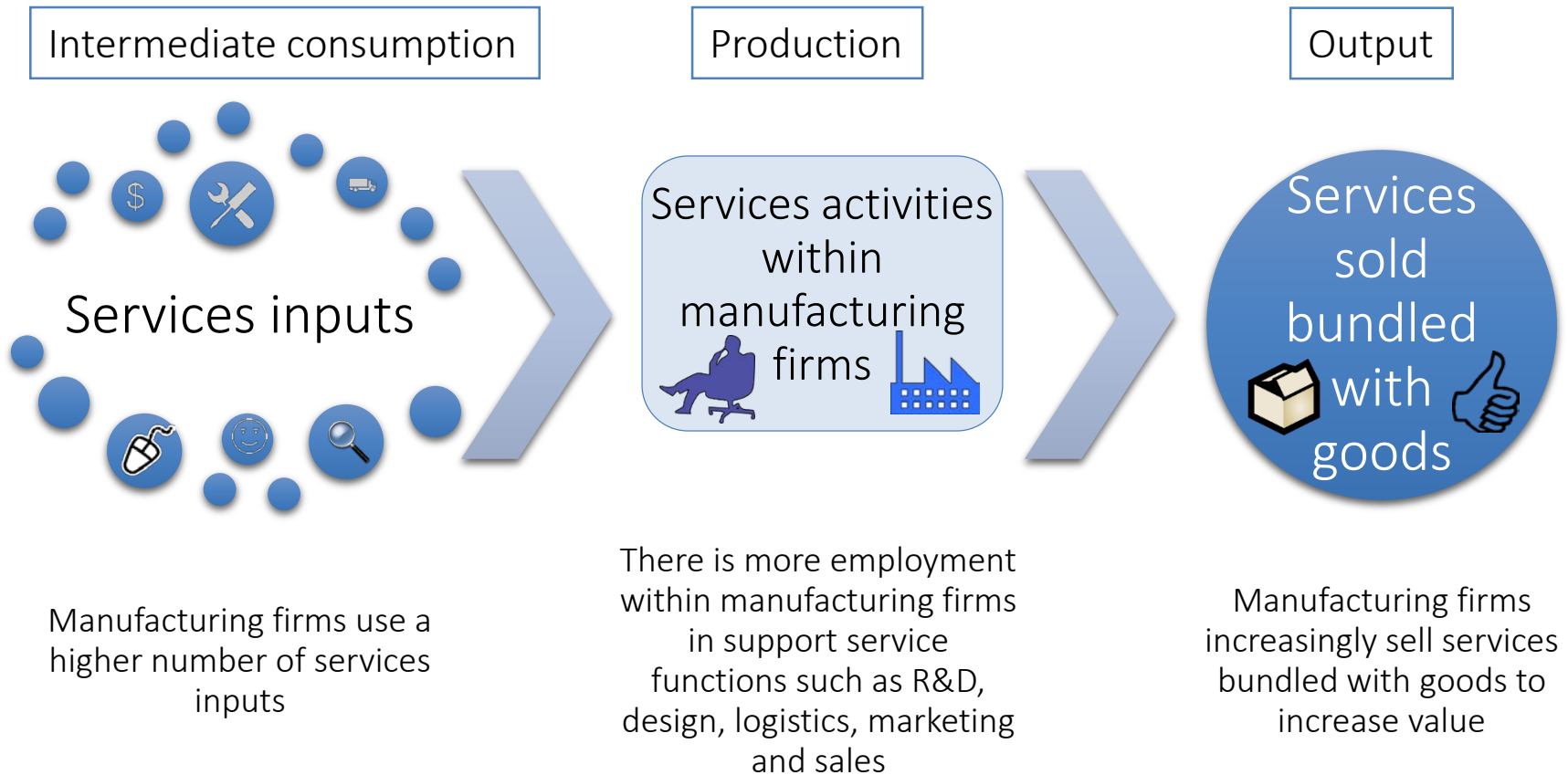
Sébastien Miroudot
OECD Trade and Agriculture Directorate

UNCTAD Multi-year Expert Meeting on Trade, Services and Development, fifth session
18 - 20 July 2017, Palais des Nations, Geneva, Switzerland

» Background

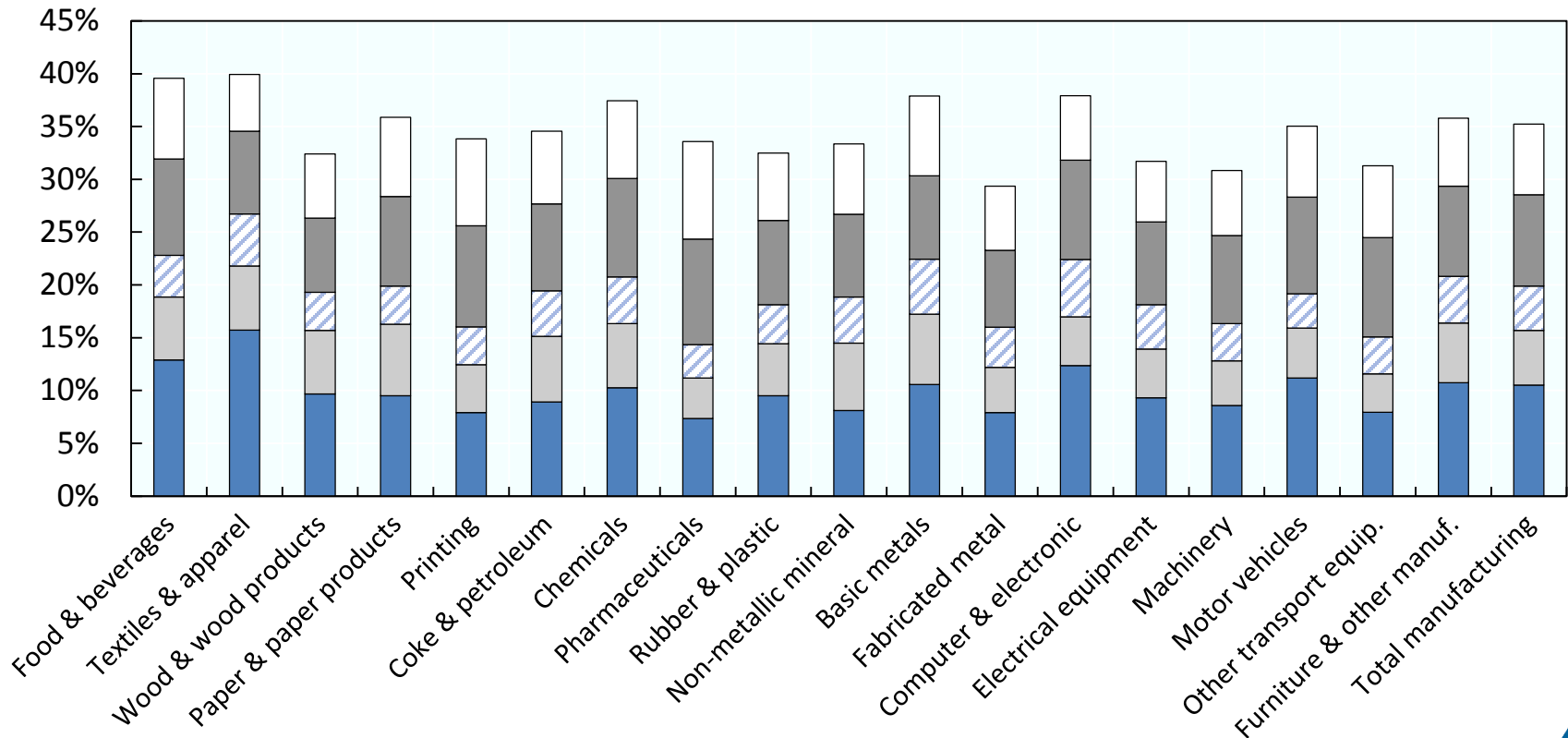
- The global value chain (GVC) framework has gained a lot of traction in the past decade to answer policy questions related to trade, competitiveness and development (Gereffi, 2014)
- The GVC framework fully acknowledges the fact that services and manufacturing activities are intertwined
- But only part of the story:
 - Services are exported by manufacturing firms, often bundled with goods ('servitisation', Vandermerwe and Rada, 1988)
 - The fragmentation of production is not limited to services: also GVCs in services (De Backer and Miroudot, 2013)
 - Services are described as value-creating activities ('service science', Demirkan et al., 2011).
- The servicification:
 - Theodore Levitt (1972): "There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in services."

» Using, producing and selling services



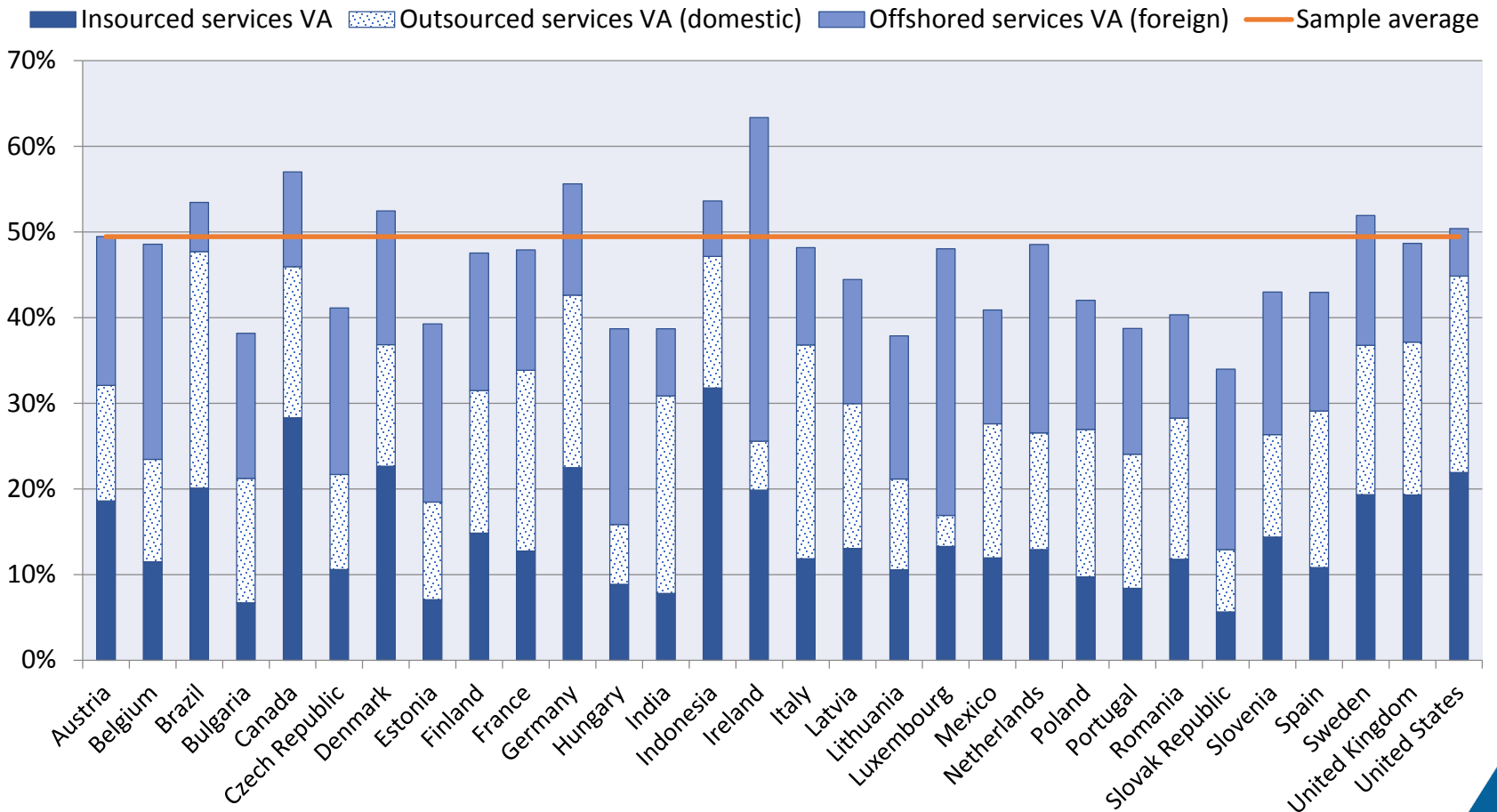
Services inputs embodied in manufacturing exports, by industry, 2014

Other Business services Finance Transport Distribution



Source: WIOD

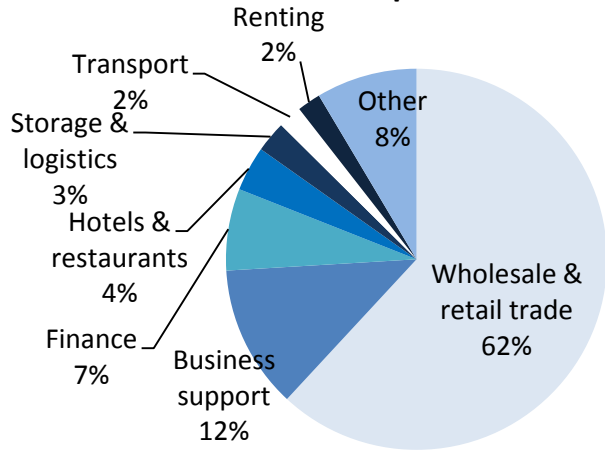
Share of insourced, outsourced and offshored VA in manufacturing exports, by country, 2014



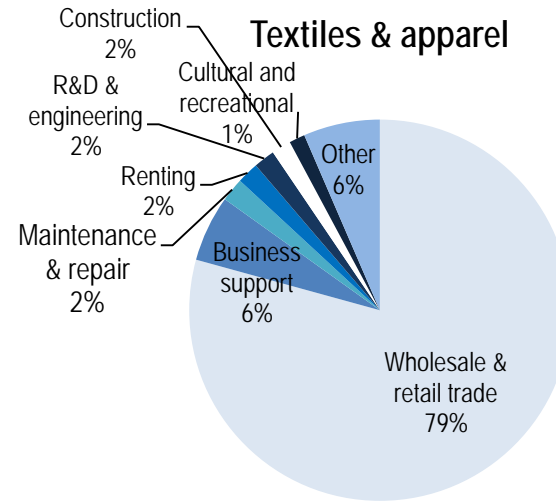
Source: WIOD and OECD

» Main bundles of goods and services observed in the ORBIS dataset, selected industries, 2013

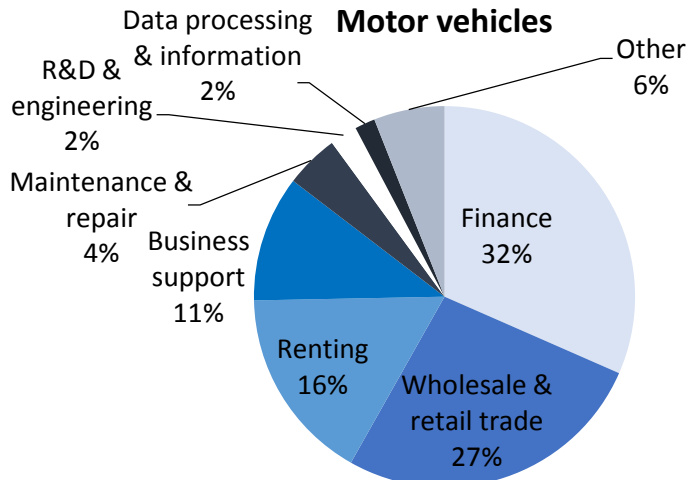
Food products



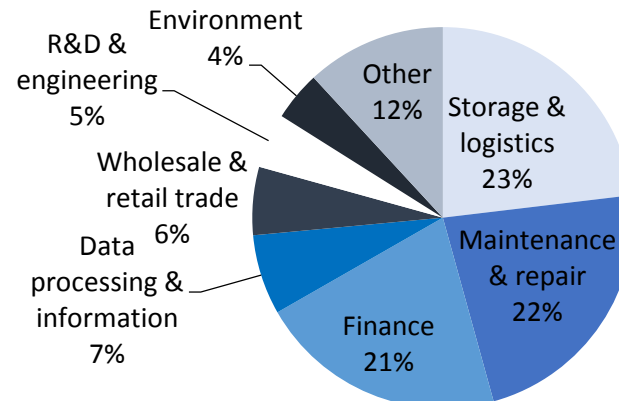
Textiles & apparel



Motor vehicles



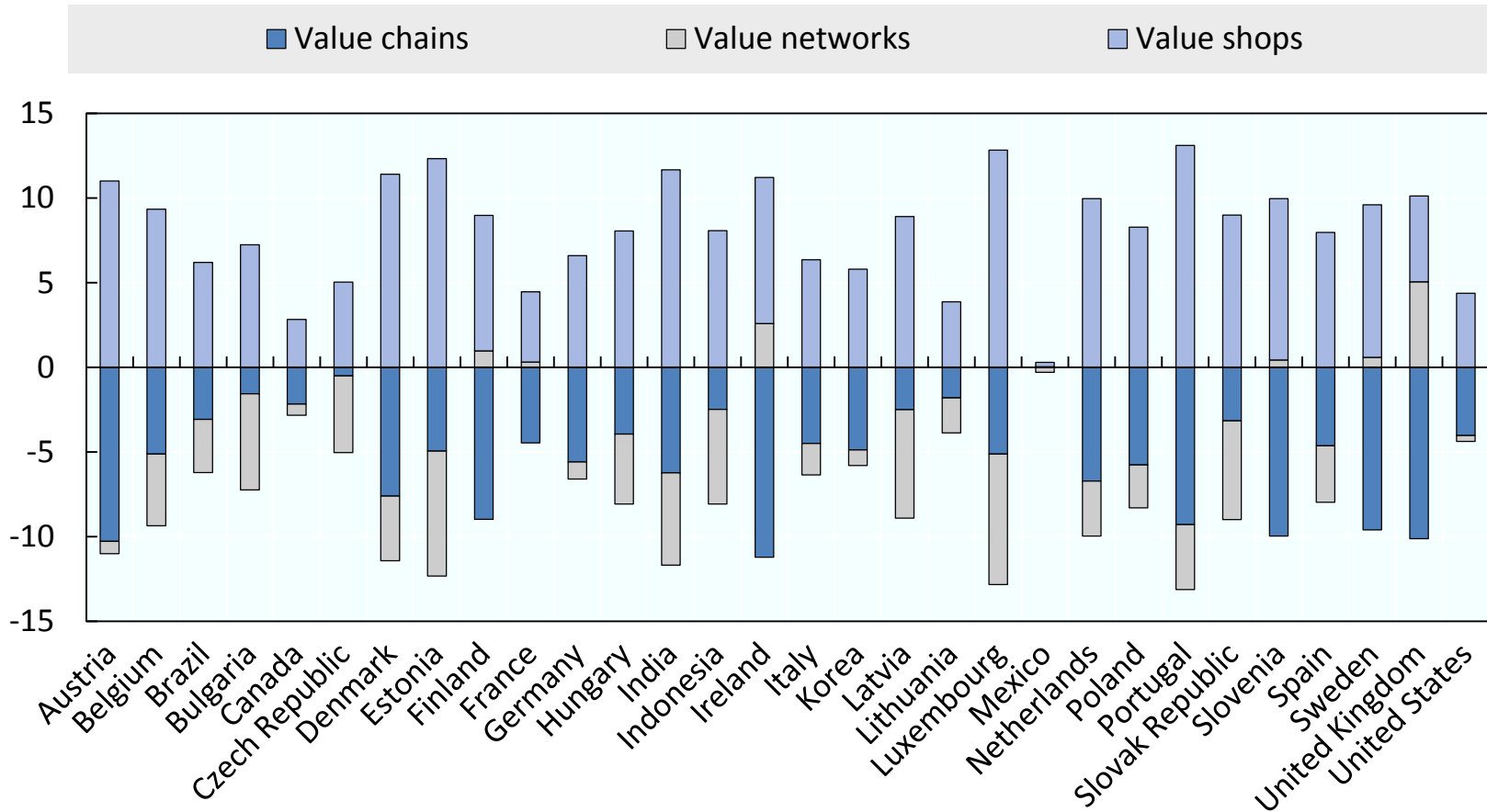
Other transport equipment



» Chains, networks and shops

- Three types of business models (Fjeldstad and Stabell, 1998)
- Back to the fundamental question: what is value creation?
 - The value chain framework is less suitable to the analysis of activities in a number of service industries
- **Value chains:** raw materials are transformed and value is added to more processed products in a sequential way culminating in the final product
- **Value networks:** value is created by linking customers
- **Value shops:** value is created by solving customer problems

Change in VA in gross exports by type of value creation model, % points, by country, 2000/2014



» The ‘servicification of GVCs’

- A higher use of foreign services inputs in exports replacing domestic services inputs
- Bundles of goods and services: firms increasingly provide ‘solutions’ to customers rather than products
- The raise of ‘value shops’ in the value-added in exports, confirming the trend towards activities that consist in solving problems and co-creating value and productivity with the customers

» Some policy implications based on the 3 value creation models

- Trade policy for value chains:
 - Removing tariffs and non-tariff measures affecting imports of intermediate goods
 - Simplifying custom procedures and administrative requirements
 - Improving efficient infrastructure and infrastructure services (ports, airports, communication networks)
- Trade policy for value networks:
 - Sector specific regulations in network industries, including banking and insurance
 - Competition law but addressing international issues
 - Removing barriers to Mode 1/Mode 3 trade in services
- Trade policy for value shops:
 - Addressing barriers to Mode 4 trade in services
 - Removing restrictions on cross-border data flows
 - Skill, education and innovation policies

Contact us

We look forward to hearing from you!



Access all of the information from the Trade & Agriculture Directorate at:

www.oecd.org/tad



You can reach us via e-mail by sending your message to the following address:

tad.contact@oecd.org



We invite you to connect with us on Twitter by following:

[@OECDtrade](https://twitter.com/OECDtrade)