



GLOBAL BUSINESS REALITY AND TRADE POLICY

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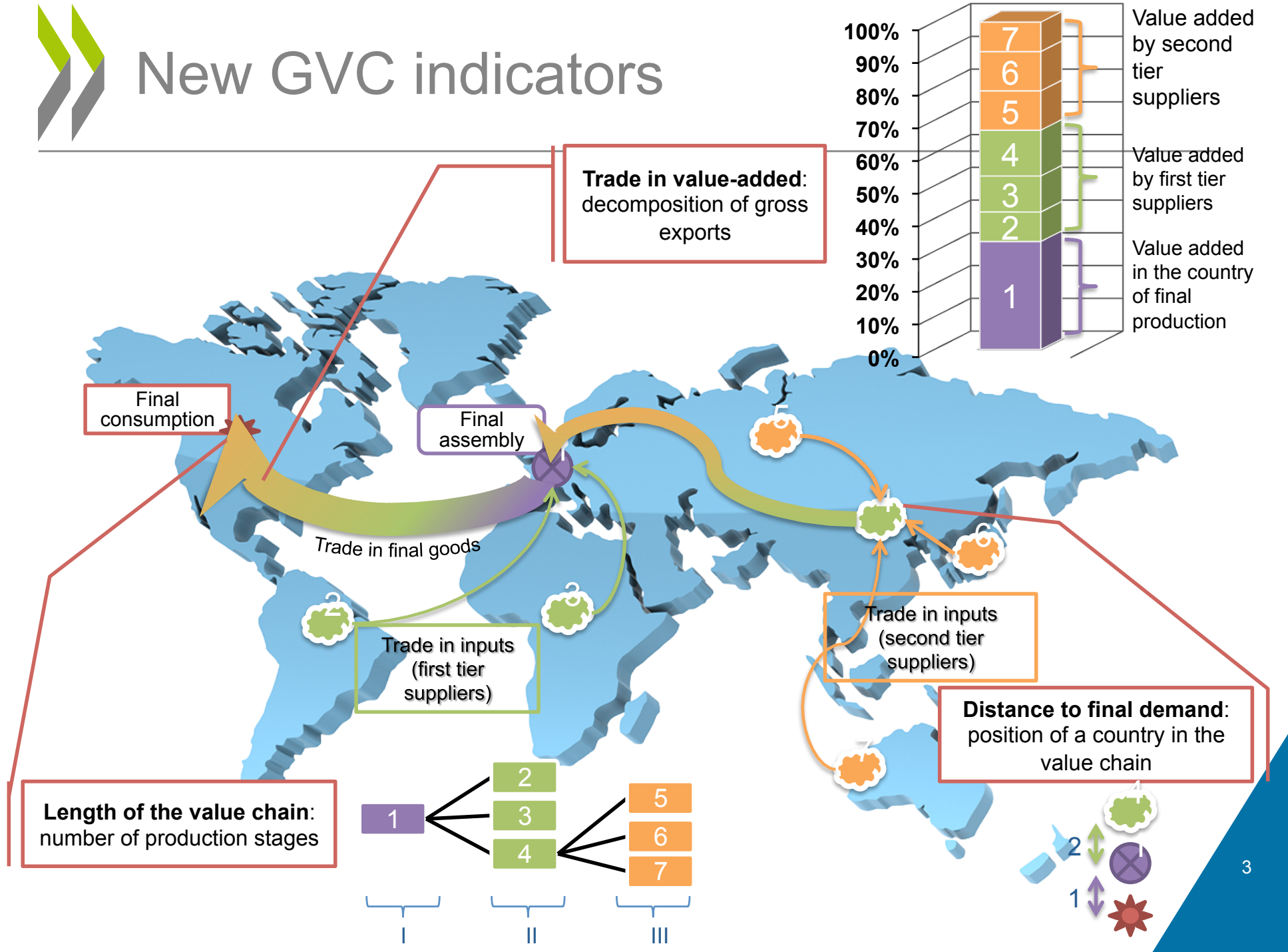


Closing the gap: what policymakers can do?

- Understanding what is “business as usual” in the context of global value chains
 - Trade in value-added
 - New GVC indicators: length of GVCs, participation and position of countries
 - Income flows
- What’s new for trade policy?
 - Imports matter for competitiveness
 - The “magnification” effect and cumulative impact of trade barriers
 - Specialisation in production stages rather than industries
- Implications for trade negotiations
 - Dealing with trade, services, investment and competition and involving the private sector
 - Neutrality vis-à-vis sourcing strategies of firms and forms of market access
 - A new case for multilateralism
 - Towards a more granular approach



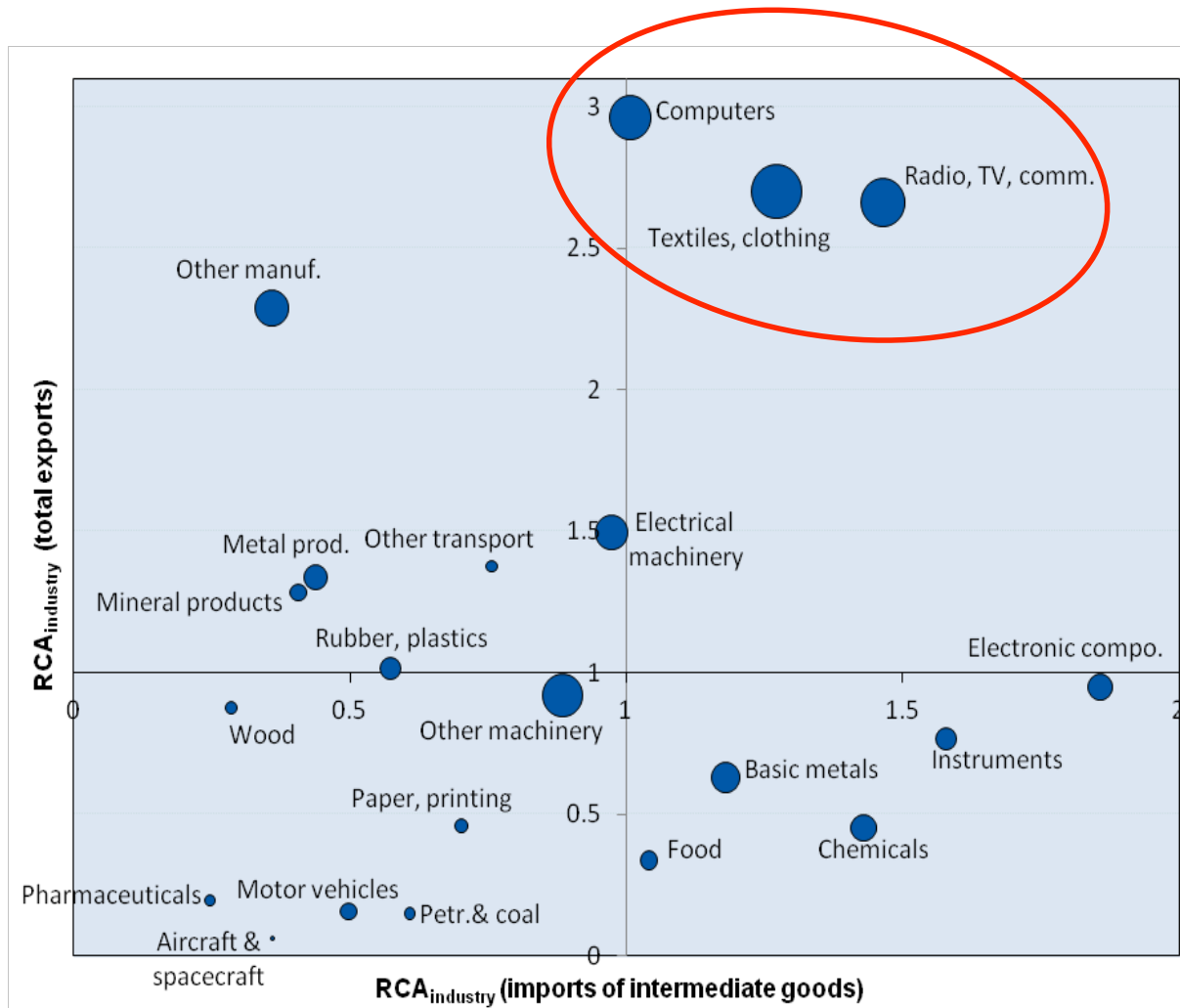
New GVC indicators





Imports matter for competitiveness

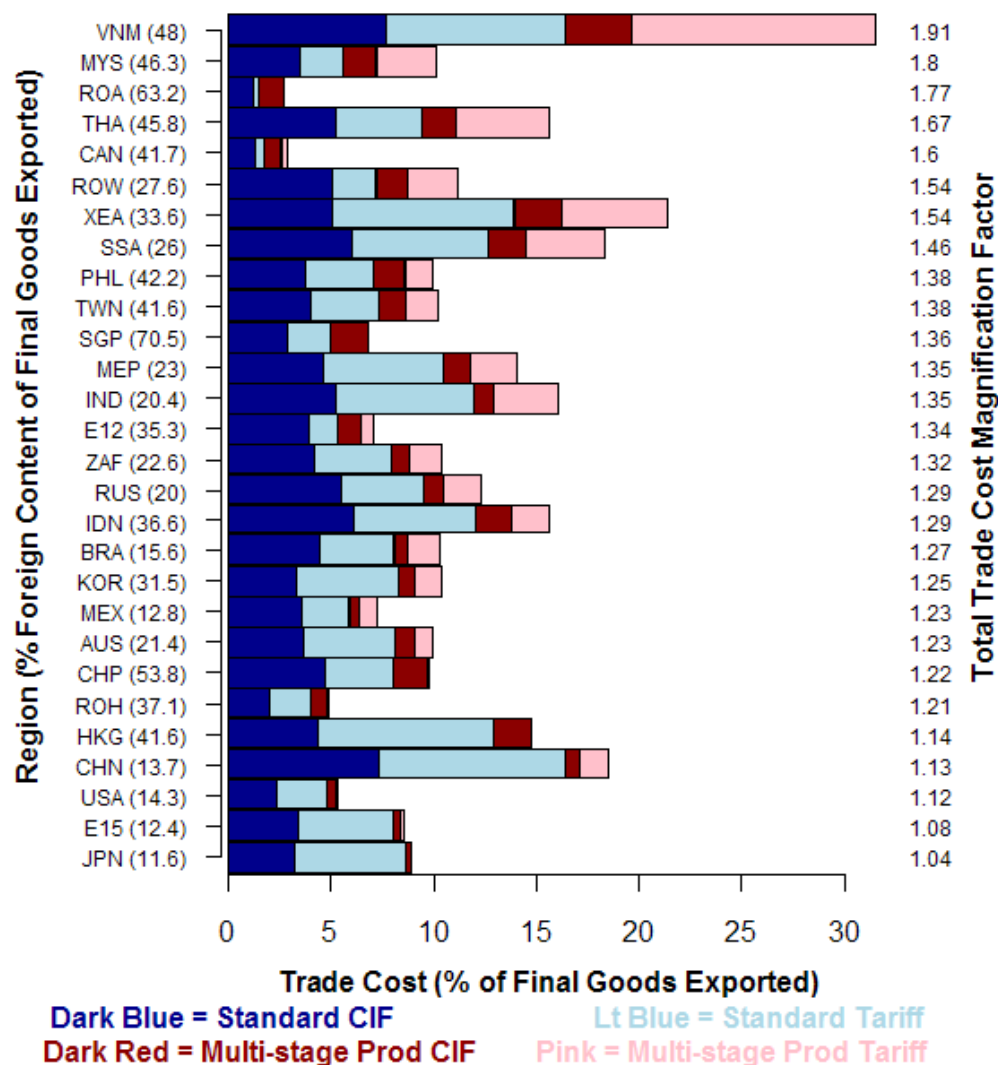
- Where is China's competitiveness situated exactly?



Source: OECD (2012)



The magnification effect and cumulative trade costs



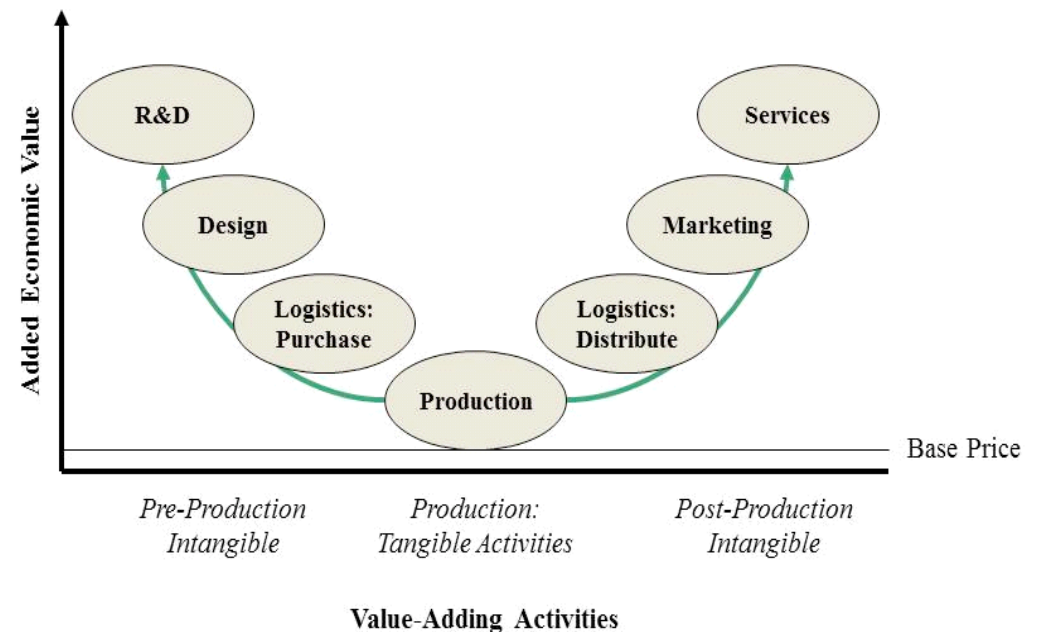
- The impact of protectionist measures depends on the participation and position of countries in the value chain.
- There is a magnification effect along the value chain: upstream suppliers are more impacted than downstream producers.

Source: USITC (2012)



Specialisation in production stages

- Being stuck in the middle? Value created upstream and downstream – what does ‘moving up the value chain’ means?
- Emerging economies: making sure that value ‘sticks’
- Developed economies: retaining value creation
- Importance of knowledge based assets



Source: Presentation G. Gereffi , GVC workshop ‘GVCs and emerging countries’ workshop , Paris (2010)



Implications for trade negotiations

- Dealing with trade, services, investment and competition
 - “Deep integration” agreements covering all dimensions of market access
 - Including “private” barriers
- Involving the private sector in trade negotiations
 - From “commitments” to actual policies facilitating business
- Neutrality vis-à-vis sourcing strategies of firms and forms of market access
 - Outsourcing versus vertical integration
 - Modes of supply
- A new case for multilateralism
 - International production networks vs. the spaghetti bowl of RTAs
- Towards a more granular approach
 - Heterogeneity of GVCs
 - More targeted approaches for policies to have an impact on firms



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