ALL COUNTRIES PARTAKE IN GVCS, BUT PARTICIPATION IS UNEVEN ACROSS THE WORLD

Overall GVC Participation, 2015

- Mfg and serv-intensive: above 50%
- Mfg and serv-intensive: 40 to 50%
- Mfg and serv-intensive: 30 to 40%
- Resource-intensive: 20 to 30%
- Resource-intensive: 30 to 40%
- Resource-intensive: above 40%
GROWTH IS GREATEST WHEN COUNTRIES BREAK INTO SIMPLE MANUFACTURING

Type of economy:
- Commodity intensive: Sri Lanka, Ghana, Rwanda
- Agriculture intensive: Cambodia, Ethiopia, Guatemala
- Simple manufacturing: Vietnam, Mexico, Thailand, Tunisia
- Advanced manufacturing and services: Malaysia, Poland, Panama
- Innovation intensive: Canada, Korea, Sweden

PER CAPITA GDP

Source: World Bank WDI
CHANGING TECHNOLOGIES: BOON OR A CURSE?
Robot adoption is on the rise ..

- Especially in sectors where automation is feasible
- And countries where labor costs are high (i.e. Northern countries)

..and has catalyzed North South trade

- A 10 p.p. increase in robots in advanced economies is associated with:
  - An 8.6 p.p. increase in imports of semi-finished products from developing countries
  - A 4.9 p.p. increase in imports of other goods from these countries

- because of input-output linkages, developing countries have benefitted from a surge in the demand for their exports resulting from Northern automation
3D PRINTING HAS ALSO BOOSTED TRADE

Trade in hearing aids increased with the adoption of 3D printing in 2007

Source: Freund, Mulabdic, and Ruta 2018.

Note: The HS Code for hearing aids is 902140. The other three categories are included for comparison. Chapter 90 covers optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, and parts and accessories thereof. High-tech are other goods similar to hearing aids, found both in and outside Chapter 90. High-tech chapter 90 includes high-tech products selected from Chapter 90.
US exports to Latin America in eBay increase after the introduction of machine translation.


Note: Exports in the left panel are measured in quantity and normalized to the level of April 2013. Exports in the right panel are measured in dollars and are normalized to the level in April 2013. The dashed and dot-dashed vertical lines refer to the introduction of query translation and item title translations, respectively.
THE GAINS FROM GVC PARTICIPATION MAY BE DISTRIBUTED UNEQUALLY

GVCs and the rise in markups
Textile and apparel sector 1990-2015

Japan

Textiles (EORA 5) [JPN]

United States

Textiles (EORA 5) [USA]
UNEVEN PARTICIPATION WITHIN COUNTRIES: MEXICO AND VIETNAM

Mexico, 2015

Percentage of firms by state that participate in GVCs

Vietnam, 2014

Share of GVC firms per capita

Source (Mexico): Iacovone (2018), calculations with data from ENAPROCE 2015, INEGI.

Source (Vietnam): GSO Enterprise Census, and VHLSS
Better policies are needed, with deeper international cooperation

- Trade and investment - goods and services
- Regulatory – competition, privacy, IPRs, environment
- Taxes and assistance - for firms and people
- Infrastructure – schools and universities, roads and cables

Acting alone or cooperatively?
THANK YOU!

Please join in the conversation:
http://blogs.worldbank.org/developmenttalk/node/1798

(A call for comments on “Let’s Talk Development” by Chief Economist Penny Goldberg)