

Global Value Chain Analysis: Why and how does it help to understand growth and upgrading?

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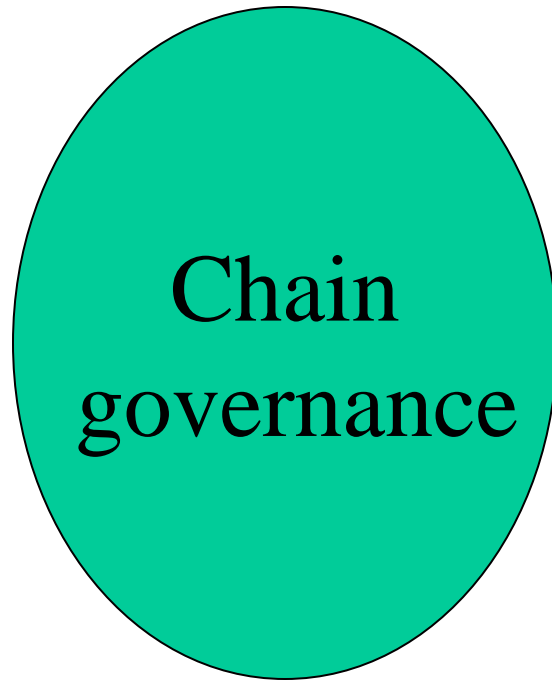
The central message

The way trade is organised matters.

Why does chain governance matter ?

- Market access
- Acquisition of capabilities
- Distribution of gains
- Leverage points for interventions
- Funnel for technical assistance

What are global value chains?



Optimistic View

Rapid Upgrading from:

- assembly of imported components, to
- taking care of entire production process, to
 - design of own products
 - sale of own branded goods

Types of Chains

- Market based
 - **Balanced**
 - **Captive**
- Hierarchy

Types of Upgrading

- Process Upgrading
- Product Upgrading
- Functional Upgrading
- Inter-sectoral Upgrading

Consensus

Fast product and process upgrading
in captive (quasi-hierarchical) chains.

Why ?

- Product defined by buyer
- Risk of supplier failure

Obstacles to Functional Upgrading

- Buyer power
- Resource Requirements

Comparison with National Chains

- National chains offer better opportunities for functional upgrading
- The limits of learning-by-exporting

Conclusions for ...

- Trade economists
- Cluster analysts
- Local/national innovation systems

Conclusions continued

- Micro-enterprise analysts.
- Practitioners concerned with upgrading of small enterprises.
- Practitioners concerned with improving the conditions of work and employment.

Conclusions for global distribution of

- *Celebrate*: very rapid dispersal of production capabilities to developing countries. SPEED !!
- *Concern*: continuing concentration of innovation capabilities in developed countries.

Websites

- www.ids.ac.uk/globalvaluechains
- www.ids.ac.uk/global/valch.html
- www.ids.ac.uk/global/vw.html