

Integration into Global Value Chains

Policy Discussion

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Policy Implications

Made in China: How Much Does It Affect Measures of Competitiveness?

- ▶ Competitiveness should be measured in value added terms.
- ▶ Non-price factors (e.g. quality and taste) should be accounted for.
- ▶ Retain high quality intermediates production in developed economies.
- ▶ Future research:
 - ▶ Disaggregated data on services trade.
 - ▶ How do we improve the quality of domestic production?

Policy Implications

The Competitiveness of the European Automotive Industry

- ▶ Need for diversification of competitors.
 - ▶ But maintain intra-EU competition to retain GVC income in Europe.
- ▶ Eastern Europe should emulate Western Europe in increasing value added...
- ▶ ... and generating more income/jobs from existing GVCs.
- ▶ Integration with China is welcome.
 - ▶ Import competition from China accounts for 27% (48%) of the total observed increase - within and between firms - in the share of non-production (highly educated) workers in low-tech Belgian manufacturing (Mion and Zhu, 2013).

Policy Implications

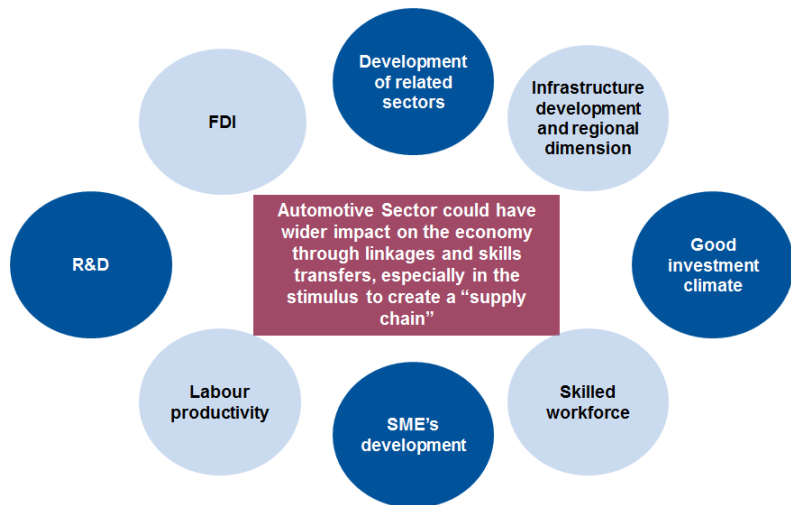
Tradable vs. Non-tradable: An Empirical Approach to the Classification of Sectors

- ▶ Need for a trade-weighted approach for measuring (non-) tradables.
 - ▶ Delivers a continuous measure.
 - ▶ Takes into account import content.
- ▶ Future research:
 - ▶ More disaggregation of services.
 - ▶ How do we classify these disaggregated services?

Future Research

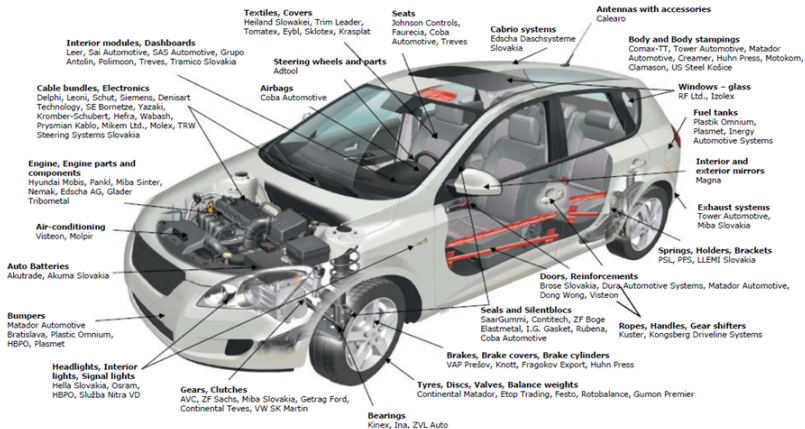
- ▶ Global production gradually shifting toward developing countries.
 - ▶ Any room for SME development in both North and South?
 - ▶ How do we increase value added in South (e.g. skills, R&D)?
 - ▶ Impact on consumer welfare?
- ▶ Policy support to answer two questions first:
 - ▶ What exactly are the benefits (externalities) of locating in a certain location and not elsewhere?
 - ▶ What is the cost effectiveness of policy to induce this outcome?
 - ▶ Need to answer market failures: e.g. linkages, R&D spillovers, best practices.
- ▶ Regional support versus industry support?

Externalities Waiting To Be Internalised?



The Case of Slovakia

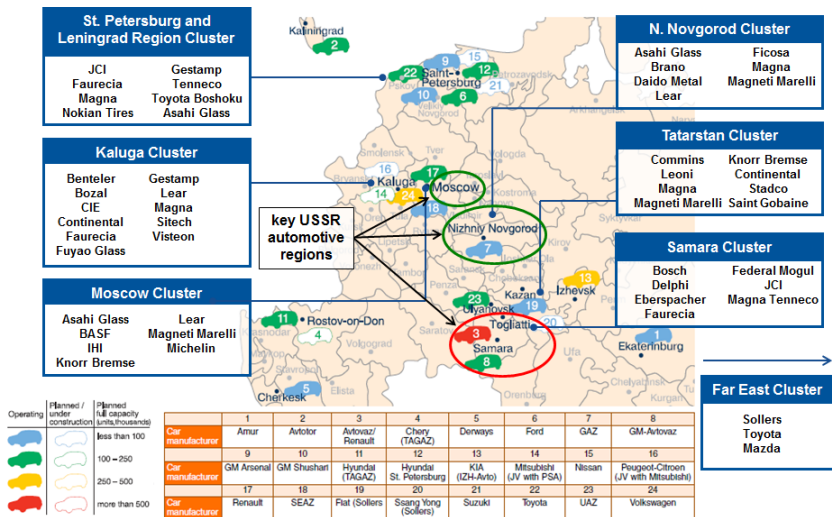
Development of other sectors



Source: EBRD

The Case of Russia

Importance of clusters



Source: EBRD

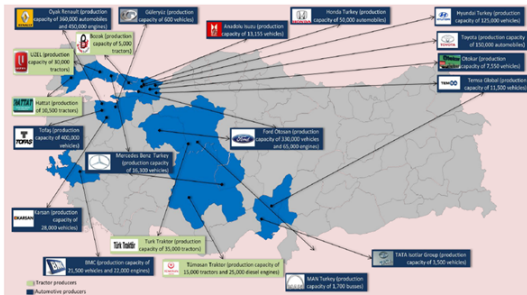
The Case of Turkey

Importance of clusters *and* proximity to Europe

Foreign Car Makers in Turkey

Global Brands In Turkey

Company	Region	Operation Type
Fiat	EU	JV (Tofaş)
M.Benz	EU	JV (Daimler AG)
Renault	EU	JV (Oyak Group)
MAN	EU	FDI
Peugeot	EU	Licence
Land Rover	EU	Licence
Ford	non-EU	JV (Koç Group)
Isuzu	non-EU	JV (Anadolu Group)
Hyundai	non-EU	JV (Kibar Group)
Toyota	non-EU	FDI
Honda	non-EU	FDI
Mitsubishi	non-EU	Licence
Tata	non-EU	Licence



Source: EBRD