**GSIS - Seoul National University**

**Spring 2017**

## International trade seminar:

## Policy implications of global value chains

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***Course description***

The international fragmentation of production in global value chains (GVCs) challenges the way we look at the global economy. Understanding how GVCs work and how they affect economic performance is essential, as is determining which policies help derive the greatest benefits. This course will discuss recent approaches to the analysis of GVCs, their policy implications for developed and developing countries, as well as the new challenges they pose for the regulation of trade and investment at the national, regional and global levels.

***Course evaluation***

Students are responsible for the material covered in the compulsory reading each week. Each student will have to prepare 2 presentations during the semester, one on a case study of global value chain and another related to a specific topic as indicated in the course outline. Course grading will be based on the partial exam (20%), the two presentations (30%), final exam (40%) and class attendance and participation (10 %).

***Main readings***

There is no comprehensive text book for the analysis of GVCs. The following material provides general information that covers most of the themes that will be dealt with in the lecture.

* Cattaneo, O., G. Gereffi and C. Staritz (eds) (2010), *Global Value Chains in a Postcrisis World. A Development Perspective*, The World Bank. <http://elibrary.worldbank.org/doi/pdf/10.1596/978-0-8213-8499-2>
* Elms, D. and P. Low (eds) (2013), *Global Value Chains in a Changing World*, Fung Global Institute, Nanyang Technological University and World Trade Organization, WTO Publications. <http://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf>
* OECD (2013), *Interconnected Economies: Benefitting from Global Value Chains*, OECD Publishing. <http://www.oecd-ilibrary.org/interconnected-economies_5k8zl60zdgtl.pdf>

**Course outline and reading material**

**Week 1** **Global Value Chains: definition and concepts**

The lecture will introduce the concept of Global Value Chain (GVC) and discuss its origin and main applications. It will highlight why it is relevant to look at GVCs to understand globalisation and design efficient economic policies.

Compulsory reading:

* Gereffi. G and K. Fernandez-Stark (2016), “Global Value Chain Analysis: A Primer”, 2nd Edition, Center on Globalization, Governance & Competitiveness (CGGC), Duke University, Durham NC.

<http://www.cggc.duke.edu/pdfs/Duke_CGGC_Global_Value_Chain_GVC_Analysis_Primer_2nd_Ed_2016.pdf>

Optional reading:

* Bair, J. (2005), “Global capitalism and commodity chains: Looking back, going forward”, *Competition & Change*, Vol. 9/2, pp. 153-80. [http://spot.colorado.edu/~bairj/Research\_&\_Publications\_files/Global%20Capitalism%20and%20Commodity%20Chains%20Looking%20Back%20Going%20Forward.pdf](http://spot.colorado.edu/~bairj/Research_%26_Publications_files/Global%20Capitalism%20and%20Commodity%20Chains%20Looking%20Back%20Going%20Forward.pdf)

**Week 2 Micro and macro-evidence on GVCs**

The GVC literature was initially relying on case studies to describe how companies operate and the governance structure of value chains. More recently, firm-level data have been used to characterise GVCs. At the macro level, GVCs can be analysed through the input-output structure of the world economy, building on the work of Leontief and the foundations of input-output analysis.

Compulsory reading:

* Dedrick, J, K. Kraemer and G. Linden (2008), “Who profits from innovation in global value chains? A study of the iPod and notebook PCs”, paper prepared for the Sloan Industry Studies Annual Conference, Boston MA. <http://web.mit.edu/is08/pdf/Dedrick_Kraemer_Linden.pdf>

Optional reading:

* De Backer, K. and S. Miroudot (2013), “Mapping Global Value Chains”, *OECD Trade Policy Papers*, No. 159, OECD Publishing. <http://dx.doi.org/10.1787/5k3v1trgnbr4-en>

**Week 3 Trade in value-added**

The lecture will explain how value-added trade statistics are constructed and provide an overview of the patterns of world trade in value-added terms. It will distinguish the decomposition of gross exports and indicators based on final demand.

Presentation: The US-China bilateral trade balance in value-added terms and its policy implications

Compulsory reading:

* OECD and WTO (2012), “Trade in value-added: Concepts, methodologies and challenges”, Joint OECD-WTO note. <http://www.oecd.org/sti/ind/49894138.pdf>

Optional reading:

* Koopman, R., Z. Wang and S.-J. Wei (2014), “Tracing value-added and double counting in gross exports”, *American Economic Review*, Vol. 104/2, pp. 459-494. <http://dx.doi.org/10.1257/aer.104.2.459>

**Week 4 The impact of GVCs on international trade**

Empirical evidence on the evolution of trade over the three last decades will be reviewed, discussing the role played by GVCs.

Presentation: What is the role of GVCs in explaining the recent trade slowdown?

Compulsory reading:

* Baldwin, R. and J. Lopez-Gonzalez (2015), “Supply-chain trade: A portrait of global patterns and several testable hypotheses”, *The World Economy,* Vol. 38/11, pp. 1682-1721. <http://dx.doi.org/10.1111/twec.12189>

Optional reading:

* Nagengast, A. and R. Stehrer (2016), “The great collapse in value-added trade”, *Review of International Economics*, Vol. 24/2, pp. 392–421. <http://dx.doi.org/10.1111/roie.12218>

**Week 5 The impact of GVCs on trade policy: border measures**

The emergence of GVCs has important implications for trade policy. The main results from trade theory are not changed by GVCs but there is a shift in the incidence of specific types of trade barriers. This lecture will focus on tariffs and other barriers at the border dealt with in the context of trade facilitation.

Presentation: The WTO trade facilitation agreement, what can be expected for the operations of global value chains?

Compulsory reading:

* Ferrantino, M. (2013), “Policies to improve the supply chain: what needs to be done?”, in D. Elms and P. Low (eds), *Global value chains in a changing world,* Geneva, WTO publications, pp. 263-277, WTO Publications. <http://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf>

 Optional reading:

* Miroudot, S., D. Rouzet and F. Spinelli (2013), “Trade policy implications of global value chains: Case studies”, *OECD Trade Policy Papers*, No.161, OECD Publishing. <http://www.oecd-ilibrary.org/trade/trade-policy-implications-of-global-value-chains_5k3tpt2t0zs1-en>

**Week 6 The impact of GVCs on trade policy: behind the border measure**

With GVCs, there is also a new emphasis on the impact of non-tariff measures and particularly standards. These standards create new challenges in the context of fragmented production processes, including when they are purely private and not implemented by governments.

Presentation: Are private standards a new type of trade barrier in the context of GVCs?

Compulsory reading:

* Grübler, J., M. Ghodsi and R. Stehrer (2016), “Assessing the impact of non-tariff measures on imports”, Vienna Institute for International Economic Studies (wiiw), February. <http://www.cepr.org/sites/default/files/2486_GRUEBLER%20-%20Assessing%20the%20Impacy%20of%20NTMs%20on%20Imports.pdf>

 Optional reading:

* Swinnen, J. (2014), “Global agricultural value chains, standards and development”, RSCAS 2014/30, European University Institute. <http://cadmus.eui.eu/handle/1814/31334>

Week 7 Partial exam

**Week 8 The impact of GVCs on multilateral and plurilateral trade negotiations**

The political economy of trade negotiations is also affected by GVCs and the lecture will discuss how global value chains have changed or should change multilateral and plurilateral trade negotiations.

Presentation: Is the Information Technology Agreement (ITA) the first GVC trade agreement?

Compulsory reading:

* National Board of Trade (2015), *Global value chains and trade negotiations*, National Board of Trade, Sweden. <http://www.kommers.se/Documents/dokumentarkiv/publikationer/2015/Publ-global-value-chains-and-trade-negotiations.pdf>

Optional reading:

* Blanchard, E., C. Bown and R. Johnson (2016), “Global supply chains and trade policy”, *World Bank Policy Research Paper*, No. 7536, The World Bank. <http://documents.worldbank.org/curated/en/2016/01/25801220/global-supply-chains-trade-policy>

**Week 9 The impact of GVCs on the negotiation of regional trade agreements**

The lecture will review and discuss efforts of trade negotiators in designing GVC-friendly trade agreements at the regional level.

Presentation: Was does the non-ratification of TPP imply for GVCs in the Asia-Pacific region?

Compulsory reading:

Baldwin, R. (2011), “Twenty‐first century regionalism: filling the gap between twenty‐first century trade and twentieth‐century trade rules”, *WTO Staff Working Paper*, ERSD-2011-08. <http://wto.org/english/res_e/reser_e/ersd201108_e.pdf>

Optional reading:

* Blyde, J, A Graziano and C Volpe Martincus (2013), “Economic integration agreements and production fragmentation: evidence on the extensive margin”, *Applied Economics Letters*, Vol. 22/10, pp. 835-842. <http://dx.doi.org/10.1080/13504851.2014.980569>

**Week 10 GVCs and development**

While GVCs have first emerged in developed economies, an increasing number of countries are participating in GVCs. The lecture will discuss the challenges and opportunities for developing and emerging economies.

Presentation(s): Global value chains and the development of Latin America/South-East Asia/Sub-Saharan Africa

Compulsory reading:

* Cattaneo, O., G. Gereffi, S. Miroudot and D. Taglioni (2013), “Joining, Upgrading and Being Competitive in Global Value Chains. A Strategic Framework”, *World Bank Policy Research Working Paper*, No. 6406, The World Bank, Washington DC. <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6406>

Optional reading:

* Gereffi, G. (2015), “Global value chains, development and emerging economies”, *Research, Statistics and Industrial Policy Branch Working Paper*, No. 18, UNIDO. <http://www.unido.org/fileadmin/user_media/Research_and_Statistics/WPs_2010/WP_18.pdf>

**Week 11 The role of services in GVCs**

One of the main findings of the trade in value-added literature is that services account for a much larger share of world trade in value-added terms. The lecture will discuss the ‘servicification’ of economies and how the lines between goods and services become blurred in GVCs.

Presentation: Can the international trade regime be based on different rules for goods and services?

Compulsory reading:

* Low, P. (2013), “The role of services in global value chains”, in D. Elms and P. Low (eds), *Global value chains in a changing world,* Geneva, WTO publications, pp. 263-277, WTO Publications. <http://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf>

Optional reading:

* Lanz, R. and A. Maurer (2015), “Services and global value chains –some evidence on servicification of manufacturing and services networks”, *WTO Working Paper*, ERSD-2015-03. <https://www.wto.org/english/res_e/reser_e/ersd201503_e.pdf>

**Week 12 The relationship between trade and investment in GVCs**

While the concept of GVCs goes beyond Foreign Direct Investment and encompasses all the companies involved in a production network, many of these companies share the same ownership and belong to Multinational Enterprises (MNEs). The role of MNEs in GVCs will be analysed with implications for investment policy.

Presentation: Is there a need for a multilateral agreement on investment?

Compulsory reading:

* Siedschlag, I. and G. Murphy (2015), “Firms’ engagement in global value chains”, in J. Amador and F. di Mauro (eds), *The Age of Global Value Chains: Maps and Policy Issues*, VoxEU, CEPR Press, pp. 175-186. <http://voxeu.org/sites/default/files/GVCs-ebook.pdf>

Optional reading:

* Yeaple, S. (2013), “The multinational firm”, *Annual Review of Economics*, Vol. 5, pp. 193-217. <http://dx.doi.org/10.1146/annurev-economics-081612-071350>

**Week 13 The impact of GVCs on skills and employment**

The lecture will look at the impact of GVCs on workers and analyse structural changes in the demand for labour. Related to employment is the issue of skills and policies that can improve the skills of the workforce to increase the participation of countries in GVCs.

Presentation: Have GVCs increased or decreased wage inequality across countries?

Compulsory reading:

* Marcolin, L., S. Miroudot and M. Squicciarini (2016), “GVCs, jobs and routine content of occupations”, *OECD Trade Policy Papers*, No. 187, OECD Publishing. <http://dx.doi.org/10.1787/5jm0mq7kr6s8-en>

Optional reading:

* Gerefffi G, K Fernandez-Stark and Psilos (2011), “Skills for upgrading: workforce development and global value chains in developing countries”. <http://www.cggc.duke.edu/pdfs/2011-11-12_CGGC-RTI_Upgrading-for-Skills_Conclusion.pdf>

Week 14 GVCs, growth and the digital economy

Global value chains are the next level in the division of labour which is the main explanation for productivity growth. The lecture will review the evidence on the positive impact of GVCs on growth as well as future potential productivity gains related to the digital economy.

Presentation: The future of GVCs in the context of ‘3D printing’ and the ‘Internet of things’

Compulsory reading:

* Baldwin, R. and B. Yan (2016), “Global value chain participation and the productivity of Canadian manufacturing firms”, in S. Tapp, A. van Assche and R. Wolfe (eds), *Redesigning Canadian Trade Policies for New Global Realities*, The Art of the State, Volume VI, IRPP. <http://irpp.org/research-studies/aots6-baldwin-yan/>

Optional reading

* Lund, S. and J. Manyika (2016), “How digital trade is transforming globalisation”, E15 Expert Group on the Digital Economy, International Centre for Trade and Sustainable Development. <http://e15initiative.org/wp-content/uploads/2015/09/E15-Digital-Economy-McKinsey-FINAL.pdf>

Week 15 Final exam