

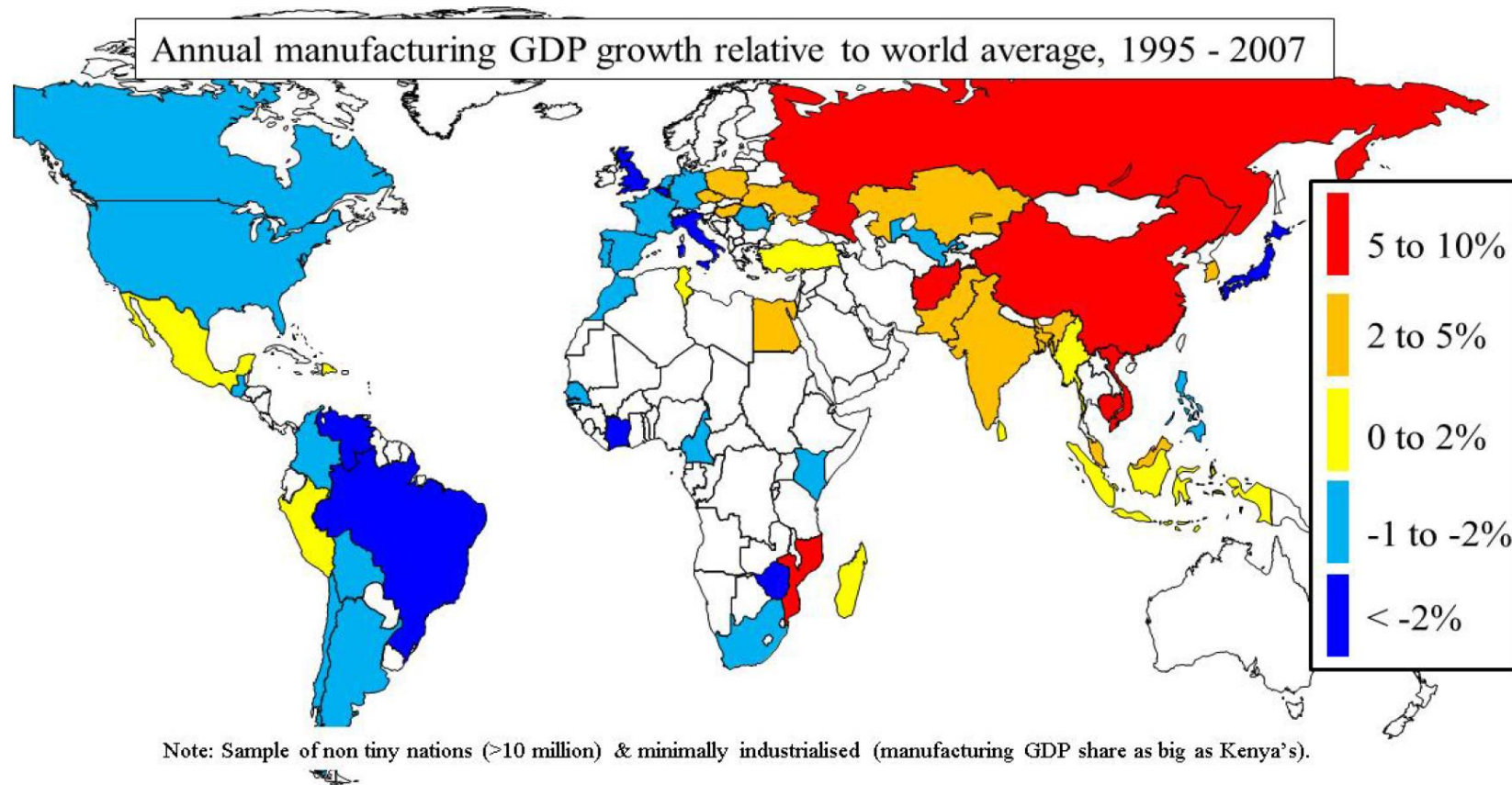
# Global Value Chain Approaches and their Relevance for Brazil

## Workshop on Global Value Chains

São Paulo  
20 MARCH 2017

John Humphrey

### (3) Shift in global manufacturing

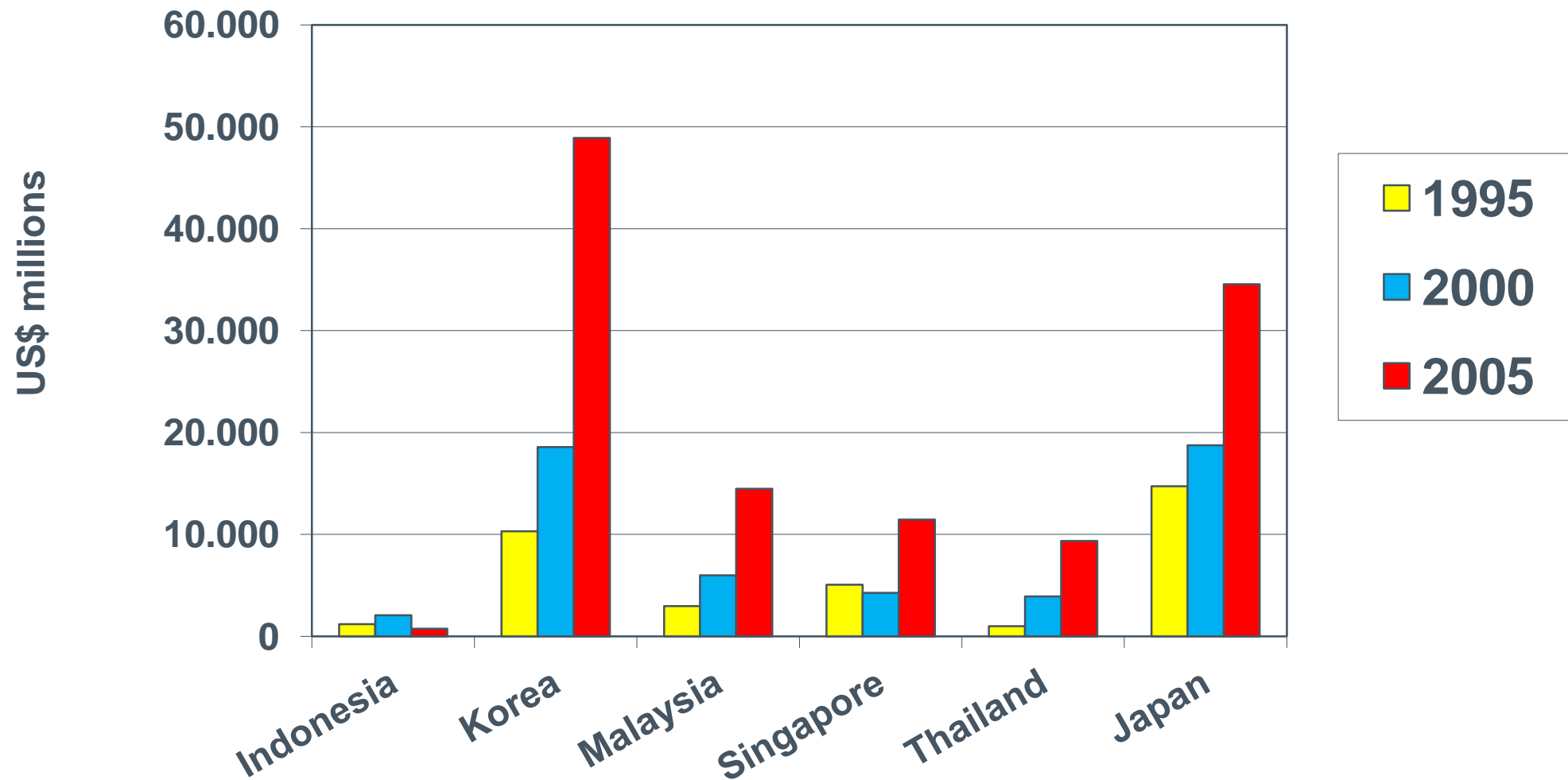


**Figure 5: Geographic clustering of manufactures growth.**

Note: Data for all nations with 1) population over 10 million, 2) manufacturing GDP share at least as large and Kenya's in 2010. Growth of national manufacturing GDP minus world growth, 1995 to 2007.

Source: Authors' calculations on UN data.

# Asian Trade Surpluses with Greater China (China, HK, Macao)



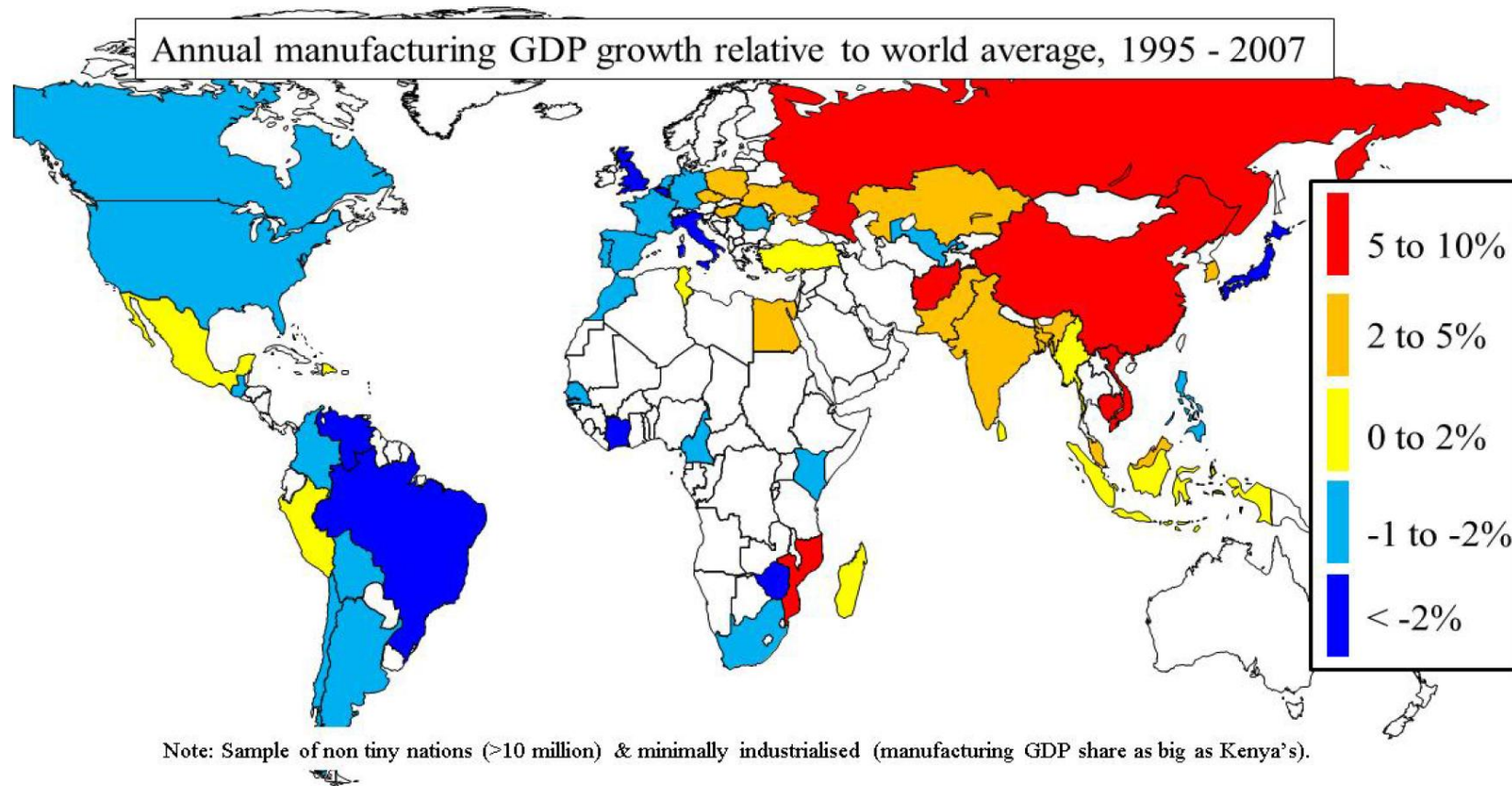
# Fragmentation and offshoring.

- Movement of low-wage, low-value tasks to low-wage economies
- The garment industry





### (3) Shift in global manufacturing



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Source: Authors' calculations on UN data.

# Countries included in 2016 World Input-Output Database

- 28 EU countries
- Norway
- Russia
- Turkey
- Switzerland
  
- Canada
- Mexico
- United States

- China
- India
- Indonesia
- Japan
- South Korea
- Taiwan
  
- Australia
  
- Brazil

- Rest of the World (modelled and estimated)

Los, B., Timmer, M. and de Vries, G.J. (2015) 'How Global Are Global Value Chains: A New Approach to Measure International Fragmentation', *Journal of Regional Science* 55.1: 66-92

Timmer, M., Los, B., Stehrer, R. and de Vries, G.J. (2016) *An Anatomy of the Global Trade Slowdown Based on the WIOD 2016 Release*, GGDC Research Memorandum 162, Groningen: University of Groningen, Groningen Growth and Development Centre

# Food

- Not fragmented by WIOD criterion
  - Least foreign content of exports of all 14 SIC sectors
- But regional value chains in Latin America and regional standards
- Important for Brazil. Food safety is farm to fork - EU approach
  - Safety may depend on what happens on the farm, or in processing, or in transport
  - Hence development of international meta-standards, Codex Alimentarius
  - National standards
  - Private, company standards
- One example: antibiotic residues in shrimp
  - Pathways through which illegal or excessive antibiotics can enter of the system
  - Points where controls are easiest to implement
  - Key actors for regulating access to antibiotics
  - Potential for private sector as well as government initiatives
  - Role of lead firms in promoting change



## Shoes: clusters within global value chains





# Product differentiation and brand ownership



# Specialisation and outsourcing in hi-tech

- Sell-off of manufacturing activities
- Decomposition of innovation activities — pharmaceutical industry
- The growth of Knowledge Intensive Business Services (KIBS)
- Embraer and other Brazilian technology-oriented firms
- Cluster, medical devices

# New areas for value chain related work: innovation and capturing value

- Innovation
  - The fragmentation of innovation along value chains
  - How innovation changes relationships and value chain governance
- Capturing value
  - Teece and others on value capture
  - Concentration at points along value chains
  - Firm size differences, power and gatekeeping
- Pointing to need to bring GVC and management approaches closer together
- There are initiatives