



G20 RUSSIAN PRESIDENCY – OECD STOCKTAKING SEMINAR ON GLOBAL VALUE CHAINS

Paris, OECD Headquarters, 29 May 2013

Summary and Conclusions

The **G20 Russian Presidency-OECD Stocktaking Seminar on Global Value Chains** that took place at OECD headquarters in Paris on May 29, 2013, gathered a wide range of stakeholders – Ministers, G20 Sherpas, representatives of international organizations, trade policymakers, experts, and representatives from business and trade unions – to take stock of progress on measuring trade in value added terms and to distil the policy implications that have emerged from this work.

There was broad agreement that international economic integration has spawned new, innovative ways of organising business activities with goods and services increasingly being produced, and value being added, in value chains spread across regions and the globe. The intensification of this phenomenon, highlighted by the OECD-WTO Trade in Value Added Database, has led to a reconsideration of how trade and other complementary policies may be best employed to stimulate strong, balanced and job-rich growth.

- **Participants observed that the rapid expansion of global value chains are magnifying the cost of protectionism, making the case even stronger for multilateral liberalisation.**

Speakers emphasized that success in international markets depends as much on the capacity to import high-quality inputs as on the capacity to export, with over 50% of goods and 70% of services trade in intermediate inputs. As goods and services cross borders many times, tariffs on intermediate inputs are thus cumulative, and can impose punitive costs on downstream users and eventually final consumers, stifling growth. This is true in agriculture as well, where the burden on exporters remains high as the sector continues to be relatively highly protected. With the emergence of GVCs, the approach that views exports as good and imports as bad, and that views market access as a concession to be granted in exchange for access to a partner's market, is even more clearly self-defeating. These new trade realities make an even stronger case for open markets and a renewed commitment of G20 Governments to resist protectionism. Furthermore, we will need to understand better how Global Value Chains can better inform trade negotiations.

- **Participants underscored the urgency of concluding a trade facilitation agreement in the WTO as a way to significantly reduce trade costs.**

In the context of GVCs, the importance of having seamless border procedures is underlined. OECD research suggests that the comprehensive implementation of all trade facilitation measures currently being negotiated in the Doha Development Round could reduce total trade costs by 10% in advanced economies and by up to 16% in developing countries. Trade facilitation measures equally impact exports as well as imports, confirming that improvements in the trade facilitation environment of both developed and developing countries are essential for increasing overall export performance.

- **The pivotal role that high quality and efficient services play in the functioning of global value chains was well-recognized by all Participants,**

Traditional trade data show services contributing less than one-quarter of world trade. But once account is taken of the value of services imbedded in manufacturing trade, the share of services in global exports almost doubles – to 45%. Efficient and high quality services are thus essential to increasing productivity economy-wide. Investment in services, and reforms to increase the quality of services are key to improve countries' ability to participate successfully in global value chains.

- **The need to address non-tariff measures in goods, including agriculture, via convergence of technical regulations, standards and mutual recognition agreements, was also identified as a way to boost trade and growth.**

OECD work suggests that a reduction of global trade costs by 1% would increase world-wide income by more than USD 40 billion, 65% of which would accrue to developing countries. Several speakers noted that further development of international rules on standards and technical regulations would help facilitate trade and global value chains.

- **Speakers and participants underscored the importance of developing a broader agenda to increase competitiveness, appropriately tailored, to ensure that each economy benefits from integrating into global value chains.**

While every country has its own specificities, in general it is important to create a friendly business environment, to promote targeted labour market and activation policies reflecting the specific needs of advanced and emerging economies and invest in education and skills training – to better match labour supply with demand – as well as adequate social safety nets for those having difficulty to adjust. Innovation policies are also key, as well as improvements in supply side capabilities. Developing countries could in particular benefit from the latter, and here the WTO-OECD Aid for Trade initiative – and other donor efforts – are pivotal in aligning trade and development objectives.

In this sense, there was a strong call to develop policies that would allow developing countries integrate into and benefit more fully from global value chains, and there were also discussions about the need to ensure that the benefits of GVCs are broadly shared.

- **Participants underlined the need to deepen knowledge and understanding of the functioning, dynamics and policy implications of global-value chains, a rationale for developing knowledge sharing and capacity building mechanisms in this domain.**

In view of the paramount role GVCs have come to play in international trade, the Minister of Economy from Mexico suggested that the G20 consider creating an “observatory of global value chains”, that would maintain TiVA data on an on-going basis, extend it to more countries and sectors, and develop new indicators, such as linking value added measures to job creation. This could serve as a knowledge platform that would provide information and advice to assist countries benefit from participating in global value chains. The OECD Global Forum on Trade could provide the relevant infrastructure to host this international initiative as it gathers all G20 countries, and many developing countries. The initiative should be supported by the Organizations that have been mandated to follow this work such as WTO and UNCTAD.

- **Some participants emphasised that trade openness should also be addressed in the context of the G20 Framework for strong, sustainable and balanced growth, calling in particular for an ambitious structural reforms agenda.**

Multilateral progress at the WTO this year was viewed as feasible in some of the above areas, with trade facilitation as a core element for possible agreement at MC9 in Bali. Multilateral progress on other aspects, such as services liberalization and increased international collaboration on non-tariff measures in goods, were viewed as more medium term undertakings. In this regard OECD work on developing a regulatory database on services regulations (STRI) was noted. In addition to multilateral, plurilateral and bilateral negotiations, there may also be opportunities for strengthening the structural policy reform agenda by taking into account the specific situation and prospects in individual countries. Structural policies are already an important agenda item at the G20 within the Framework for strong, sustainable and balanced growth, but perhaps trade openness has not yet received adequate attention in this context. In addition, international cooperation to contribute to strong, sustainable and balanced growth, a shared priority in the G20, could be enhanced through improved transparency, information exchange, and a commitment to trade as one element of a comprehensive structural reform agenda.