



Global Value Chains

OVERVIEW

Participation in global value chains (GVCs), the international fragmentation of production, can lead to increased job creation and economic growth. In order to reap the gains from value chain participation, countries must put in place the right kind of trade and investment policies. The World Bank Group is helping developing countries catch the GVC wave and realize the benefits GVCs can deliver.



CONTEXT

What are GVCs?

- Companies used to make things primarily in one country. That has all changed. Today, a single finished product often results from manufacturing and assembly in multiple countries, with each step in the process adding value to the end product.
- Through GVCs, countries trade more than products; they trade know-how, and make things together. Imports of goods and services matter as much as exports to successful GVCs.
- GVCs integrate the know-how of lead firms and suppliers of key components along stages of production and in multiple offshore locations. The international, inter-firm flow of know-how is the key distinguishing feature of GVCs.
- How countries engage with GVCs determines how much they benefit from them.

Why are GVCs important for growth?

- GVCs are a powerful driver of productivity growth, job creation, and increased living standards.
- Countries that embrace them grow faster, import skills and technology, and boost employment.
- With GVC-driven development, countries generate growth by moving to higher-value-added tasks and by embedding more technology and know-how in all their agriculture, manufacturing, and services production. GVCs provide countries the opportunity to leap-frog their development process.

Are developing countries part of the new GVC paradigm?

- Some developing countries have fully embarked on the GVC revolution, but they still face challenges in aligning GVCs with their national development strategies.

- Others view GVCs as recreating the core vs. periphery pattern, with the “good” jobs concentrated in the North and “bad” jobs in the South.
- Yet even the most reluctant skeptics recognize that the GVC-driven success of nations like China and India illustrates the significant boost in a country’s competitiveness that can be delivered by combining competitive costs of production with high technology.
- The right strategies can help developing countries maximize their participation in GVCs.



STRATEGY

How does the World Bank Group help countries seize GVC opportunities?

- The World Bank Group Global Practices and Cross-Cutting Solutions areas help client countries design and implement effective, solutions-oriented reforms.
- The Bank Group provides integrated solutions tailored to country needs. Advisory services and financial support—including development policy lending to governments, investment in the private sector, and MIGA guarantees—can cover long-term strategies for deep structural reform or support for more targeted policy interventions addressing shorter-term challenges.
- The Bank Group brings to bear its hands-on local presence, access to lead firms and investment communities, rich data, and world-class analytical capabilities.

What can developing countries do to optimize participation in GVCs?

- Governments need to have a clear vision and mandate to improve coordination among government players, and ensure the involvement of the private sector.
- Opening borders and attracting investment can help jump-start entry in GVCs.
- Countries will derive the greatest benefit by maximizing the absorption potential of the domestic economy and by strengthening its linkages with GVCs.
- Many diverse policy areas affect the success of GVCs. They include, among others, trade policy, logistics and trade facilitation, regulation of business services, investment, business taxation, innovation, industrial development, conformity to international standards, and the wider business environment fostering entrepreneurship.
- Finally, countries should identify measures that will complement their GVC strategies. These include a large swath of dimensions, from investment in education and vocational training to environment and urbanization, from ICT and infrastructure building to labor market mobility.

What role does the World Bank Group’s Trade and Competitiveness Global Practice play?

- As the world of GVC production matures, the need for context-specific assessment and intervention has become more important in answering fundamental questions about GVC participation, sustainability, and the benefits to host countries.
- The newly created Trade and Competitiveness Global Practice (T&C) provides evidence-based policy options to formulate and implement context-specific GVC strategies.
- T&C uses analytical and diagnostics tools and data-gathering to offer solutions in terms of analytical services, lending and investment operations, as well as guarantees customized to specific country needs.

