

# Value Chain Workshop – Treasury-DTI March 2014

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# How many grains of sand on a beach...?

- Google (29<sup>th</sup> January 2014)
  - Value chains – 37.8m citings
  - Global value chains – 15.8m citings
- Google Scholar
  - Value chains – 3.04m citings
  - Global value chains – 2.15m citings



*The value chain (VC) describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use*



## Jobs in the Apparel Global Value Chain





# The flows are not lineal

- iPhone4:
  - Retailed in US for \$495
  - Exported from China for \$175
  - Value added in China \$6.50
- The massive growth in trade in intermediates
  - Of \$19tr global trade in 2010, \$5tr (28%) was double counting of intermediates



# Why are GVCs important?

- They constitute an increasingly important share of global trade - \$5tr - \$19tr
- A chain is only as strong as the weakest link
- They play a key role in the development of **dynamic** capabilities
- Production capabilities are not enough – how are producers inserted in (**which?**) markets?



# Types of VCs

- The traditional divide:
  - Producer driven chains (technology holder drives the chain)
  - Buyer driven
- The new divide:
  - Additive VCs (75% globally, 25% in Africa)
  - Vertical specialisation VCs (25% globally, 75% in Africa)



# Are VCVs homogeneous?

- Sectoral variations are important
  - But there are different types of chains within sectors
- Markets are important
  - Domestic markets
  - Regional markets
  - Global markets
  - High income markets
  - Low income markets



# Changing determinants of market entry



- Trade liberalisation:
  - Tariff reduction
  - Removal of QRs
- Market entry is increasingly driven by standards and regulations



# Types of standards

- Firm specific – Quality Cost Delivery (QCD) translates into Key Performance Indicators (KPIs)
- Industry specific standards – developed to promote competition
- State/trans-state standards – health and safety/homologation
- Civil society standards – Forestry Stewardship Council; organic; fairtrade; labour; environmental etc