



ADB-ESCAP JOINT WORKSHOP
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The Roles of Services in Global Value Chains

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Outline

- Roles of services in GVCs
- Tracking servicification
- Servicification in exports by Asia and the Pacific
- Policy implications

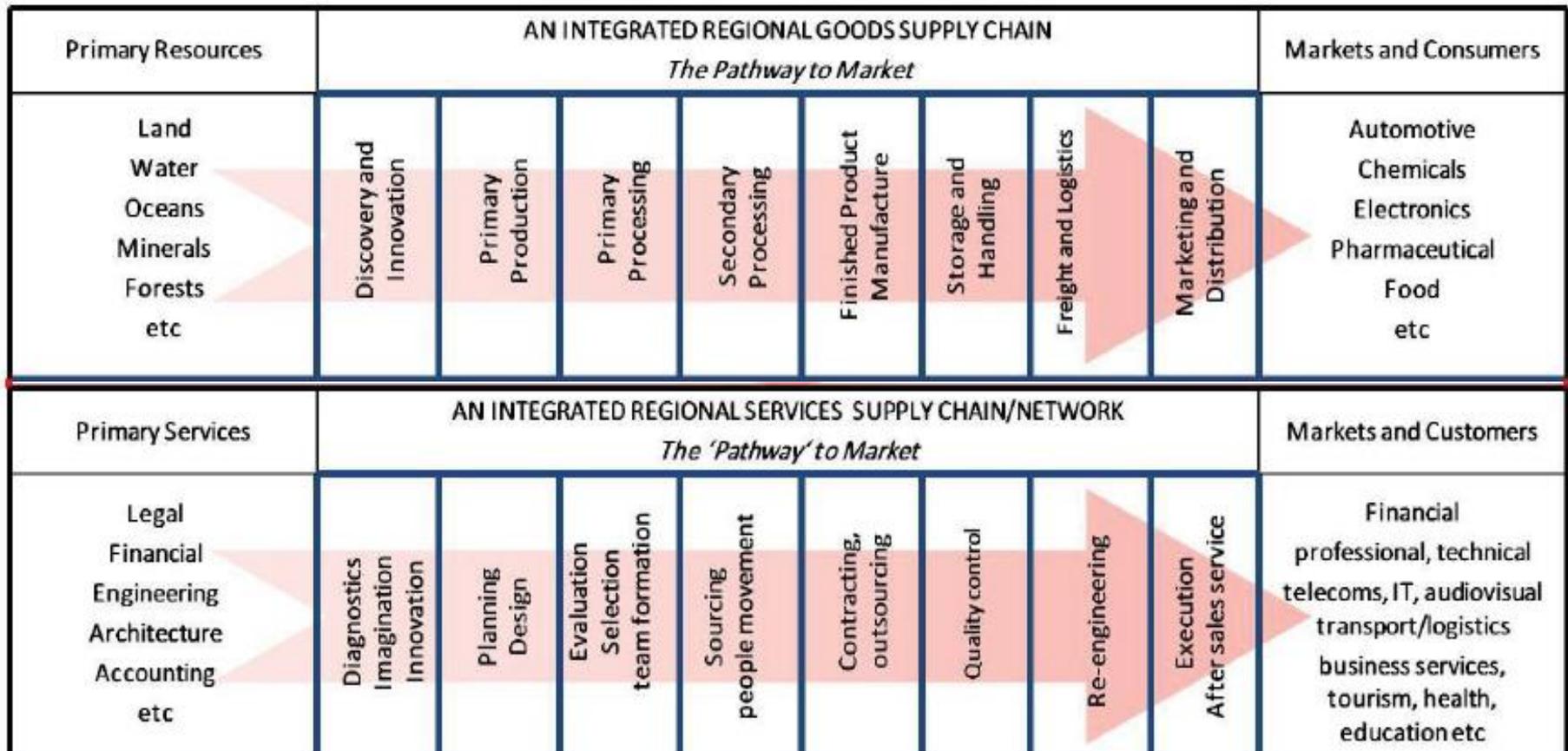


Roles of services in GVCs



Dual roles of services in GVCs

“Embodied” and “embedded” services



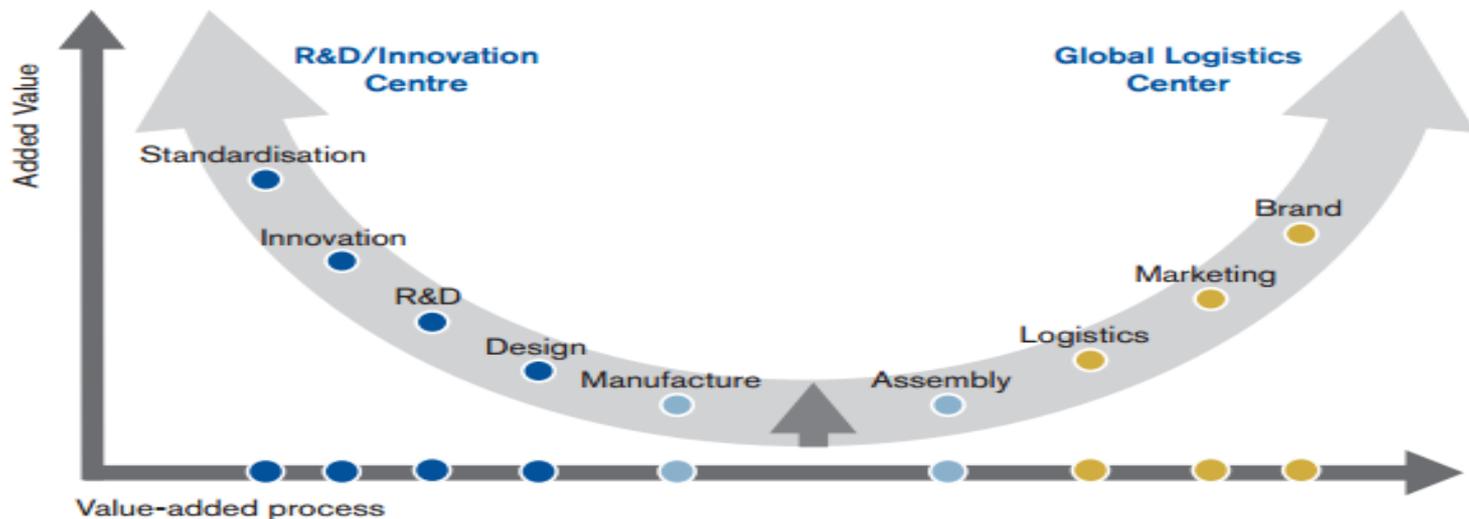
Source: Adapted from ABAC (2011)



Why do services matter for development?

- Efficiency and availability of services is an important factor for competitiveness and the opportunity to enter to GVCs
 - Communications, insurance, finance, logistics, etc.
 - GVCs increase the demand for “coordination services”
- Services tasks are often the links in GVCs that create high value-added.
 - A path for upgrading GVC participation

Figure 5: “Smiley Face”: Conceptual model of a value chain



Source: World Economic Forum (2012)



Servicification

- “Servicification” is most simply defined as a rapidly increased use of services in manufacturing process.
 - Manufacturing firms *always* need services as integrated or accompanying parts of their goods.
 - Their importance appears to have grown due to GVCs (specialization, outsourcing and off-shoring, global market integration) and more sophisticated customer demand.



Hidden service exports

- Service exports can be invisible since many services are sold in a package with a good – thereby regarded as a good in trade statistics

Ex I. Automotive GVCs

Value added of a typical US car (services are highlighted)

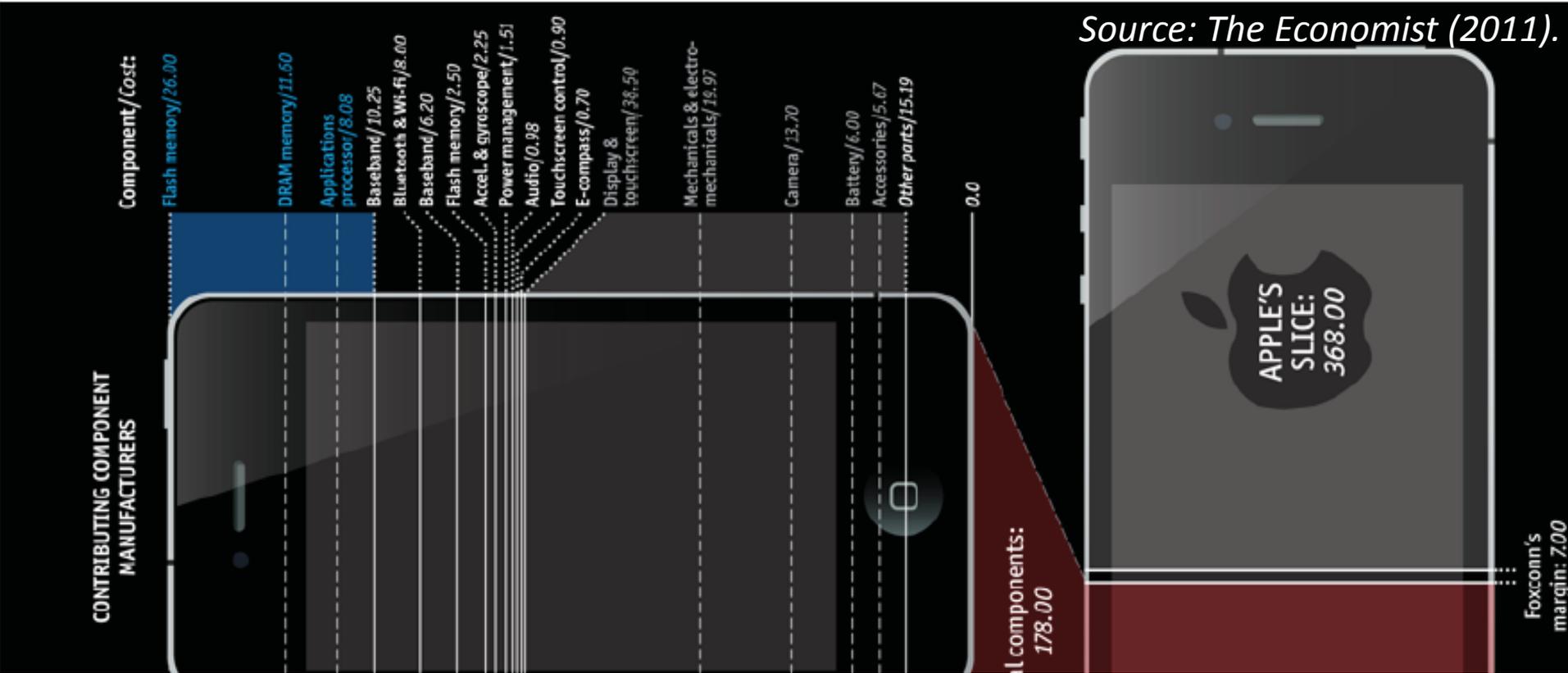
1. R&D (Japan)	17.5%
2. Design (US)	about 3%
3. Assembly (ROK)	30%
4. Assembly (US)	37%
5. Supply of minor parts (TW)	4%
6. Advertising & marketing (UK)	2.5%
7. Data processing (Ireland & Barbados)	2%
8. Transport and insurance (US)	about 4%

Contribution
of services =
30%



i-phone 4 cost breakdown

Source: *The Economist* (2011).



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