

# GVCs and the opportunities for development of SMEs in low income countries

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# Three major topics

- Characteristics of GVCs
  - Business points of view
- SME policies
  - General
  - Low income countries
- New GVC/SME policies?

# GVC Characteristics

# GVC characteristics I

- Fragmentation
  - Separate production nodes in different locations and connected by distribution links
- Offshoring and outsourcing
- Supplier consolidation
- Production agglomeration
- Logistics consolidation

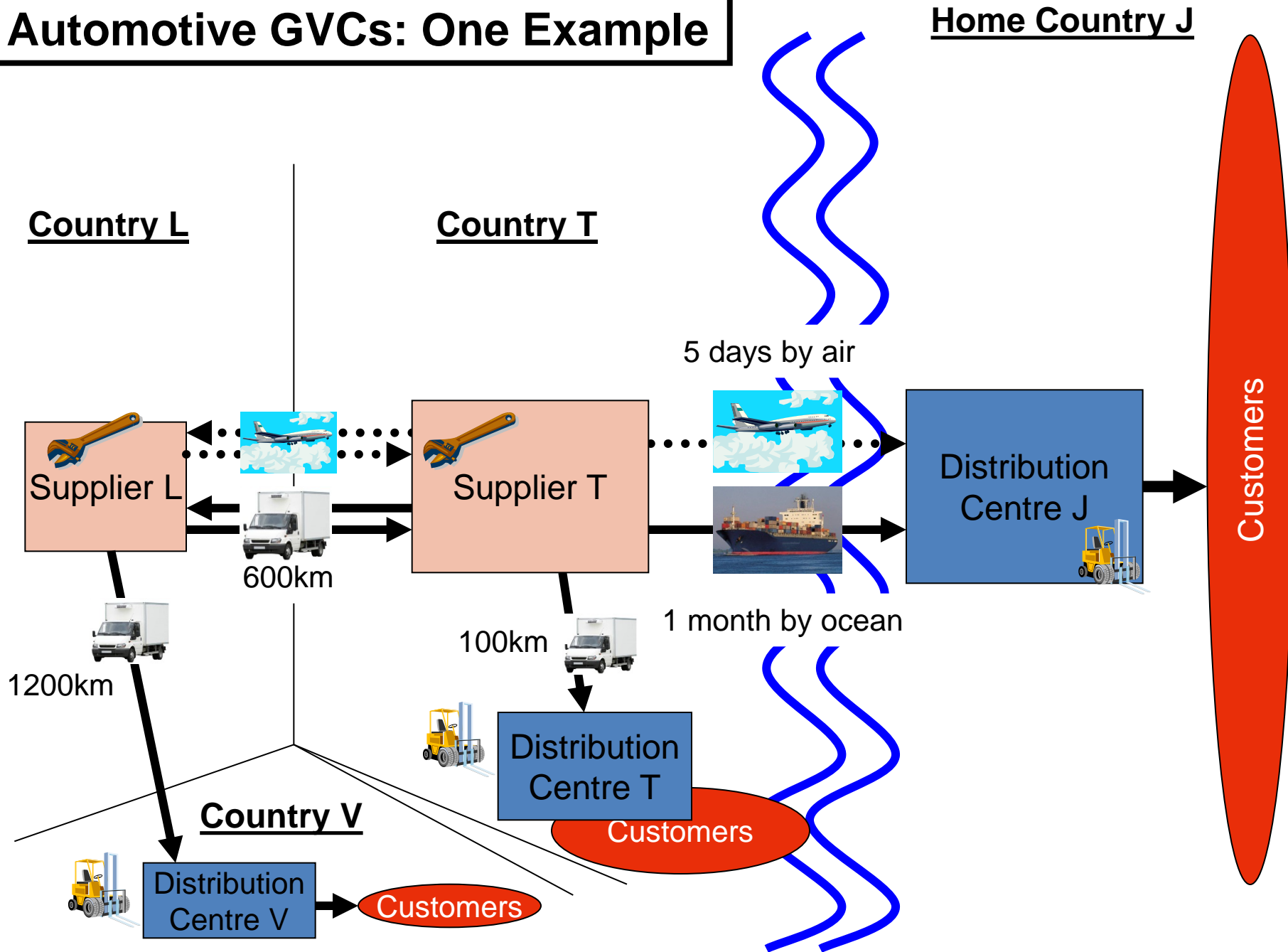
# GVC characteristics II

- A lead firm (a larger enterprise/a multinational) regulates a GVC with specific competences, making a higher profit
  - Brands & channels, resources, technology, expertise and/or goodwill
  - Customer vs production vs natural endowment driven value chains
- Inviting outside experts on specific functions to manage complicated tasks to maximize the efficiency and effectiveness of the entire GVC

# GVC characteristics III

- Contracting with a selected number of capable SMEs typically as subordinate partners for specific tasks or functional support
- Integration of business process, coordinated behaviours and information sharing among independent firms
- Mutual investment into business process and long-term relationship

# Automotive GVCs: One Example



# Products



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