Foreword

The past few years have witnessed the emergence of a large and growing body of research on global value chains (GVCs), that is the creation of final goods and services through interlinked stages of production scattered across international borders. Although GVCs are hardly a new phenomenon, the attention devoted to the topic largely is. After years of neglect, policy makers, practitioners and scholars in the field of international economics have come to agree that global value chains should figure more prominently in policies, advice and research.

To be fair, there has been earlier work in the business and economics literature, focused primarily on measurement of the extent, geographic orientation, and growth in GVCs. But such work was sporadic, and only during the past three years or so has GVCs as a topic been receiving the full attention of the international policy community. Efforts have been directed mainly to gathering necessary statistics and correctly measuring the value-added trade associated with production fragmentation, as opposed to gross trade statistics, which mask the true origin of the value added embodied in goods and services traded internationally. Notably, the World Trade Organization (WTO) Secretariat launched its ‘Made in the World’ initiative in 2010, and has collaborated since with the Organisation for Co-operation and Economic Development (OECD) and other agencies to establish a statistical platform (OECD-WTO TIVA) that quantifies GVCs and to increase the measurement capacity of the national and international statistics agencies. Other notable efforts include the United Nations Conference on Trade and Development UNCTAD-Eora GVC database, as well as the World Input–Output Database (WIOD), which was established by a consortium of universities, think tanks and international bodies with funding by the European Commission and launched in 2012.

Proper measurement is an important first step in understanding the extent of GVCs, and a wealth of path breaking statistics and insights have accrued from recent efforts in that direction. But what remains is a far harder task: to understand how GVCs change the nature of global economic interdependence, and how that in turn changes our understanding of policies appropriate in this new environment. This volume
attempts to take on some of this task, with particular focus on two broad themes.

The first explores the impact of greater integration and interdependence on economies’ exposure to adverse shocks elsewhere in the world, such as natural disasters, political disputes, or recessions. Various chapters investigate to what extent do global value chains serve to transmit and even magnify shocks across national borders and, when a national economy absorbs the blow from an international shock, how firms respond. The second theme looks at the evolution of global value chains at the firm level and how this will affect competitiveness in Asia. Various chapters explore theory and data at the firm level to understand the evolution of GVCs within and across countries.

In this volume, authors bring to bear a wide variety of methodological tools and data, and perspectives ranging from the firm-level micro economy to the global macro economy to help understand how GVCs are reshaping interdependence in Asia. With its emphasis on analysis, rather than policy, this volume aims at providing scholars and stakeholders with an analytical toolbox useful to conceptualizing and assessing the relevant phenomena. Future work will have to complement these analytical aspects with in-depth discussions about the policy and regulatory implications stemming from the latest progress in this line of research, which largely represents a joint effort and work in progress by a large community of international and national policy makers, academia, and think-tanks.

I would like to thank Benno Ferrarini and David Hummels for their outstanding leadership, coordination and management of the research underlying this volume, and Cindy Castillejos-Petacorin for invaluable administrative support and editorial assistance. The volume benefitted from excellent inputs from Richard Niebuhr as copy editor, and from helpful advice by Anna Sherwood of the ADB Department for External Relations on contractual matters concerning its publication. Joseph Zveglich Jr provided strategic support and guidance throughout the study. My special acknowledgement goes to the many scholars who contributed their invaluable expertise to this study.

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