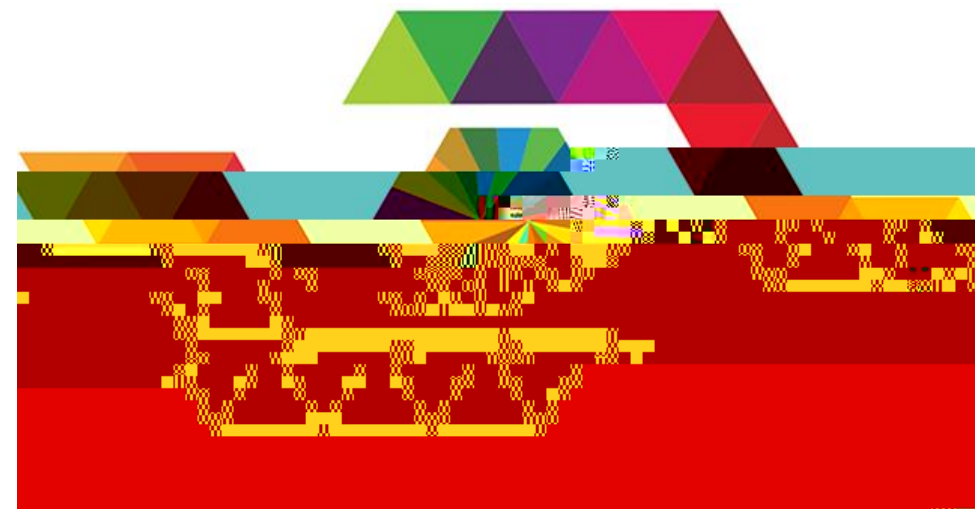
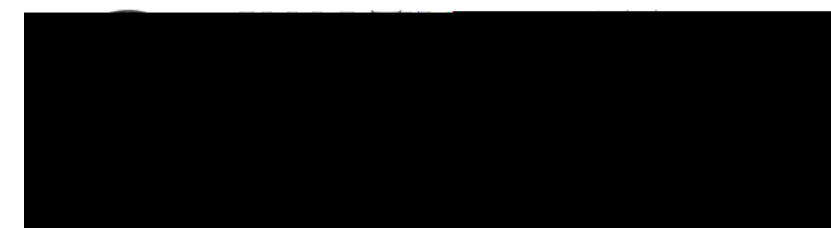


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Trade in Services and Value Chains: Case of Afghanistan

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Global value chains (GVCs)

- Today, more than half of global manufacturing imports are intermediate goods traveling within supply chains while over 70% of the world's services imports are intermediate services.
- Intermediate services embedded within a value chain include, not only transportation and distribution to move goods along, but also research and development, design and engineering, as well as business services such as legal, accounting, or financial services.
- Global value chains have expanded and redefined the role that services play in international trade and increased the number of jobs that are tied directly and indirectly to international trade.



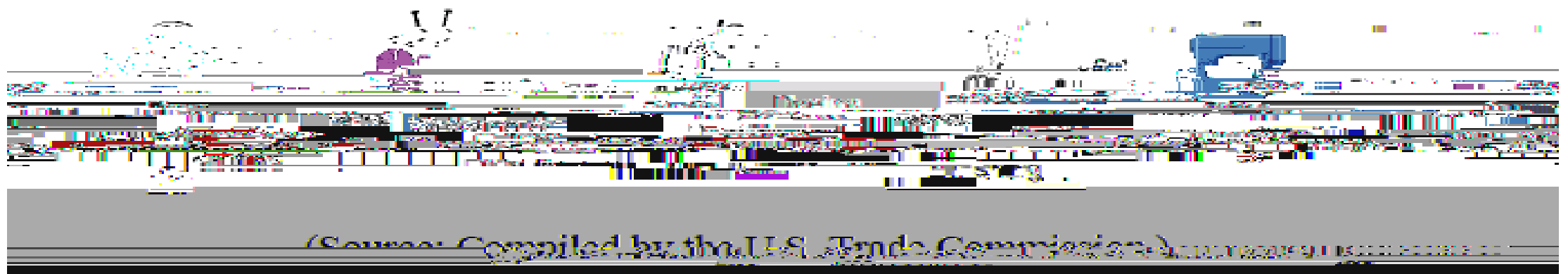
Global Value Chain (GVC) defined

Full range of value-added activities involved in conception, design, procurement, production, marketing, distribution, after sale service, etc.

Firm can focus on one or more activities in a VC.

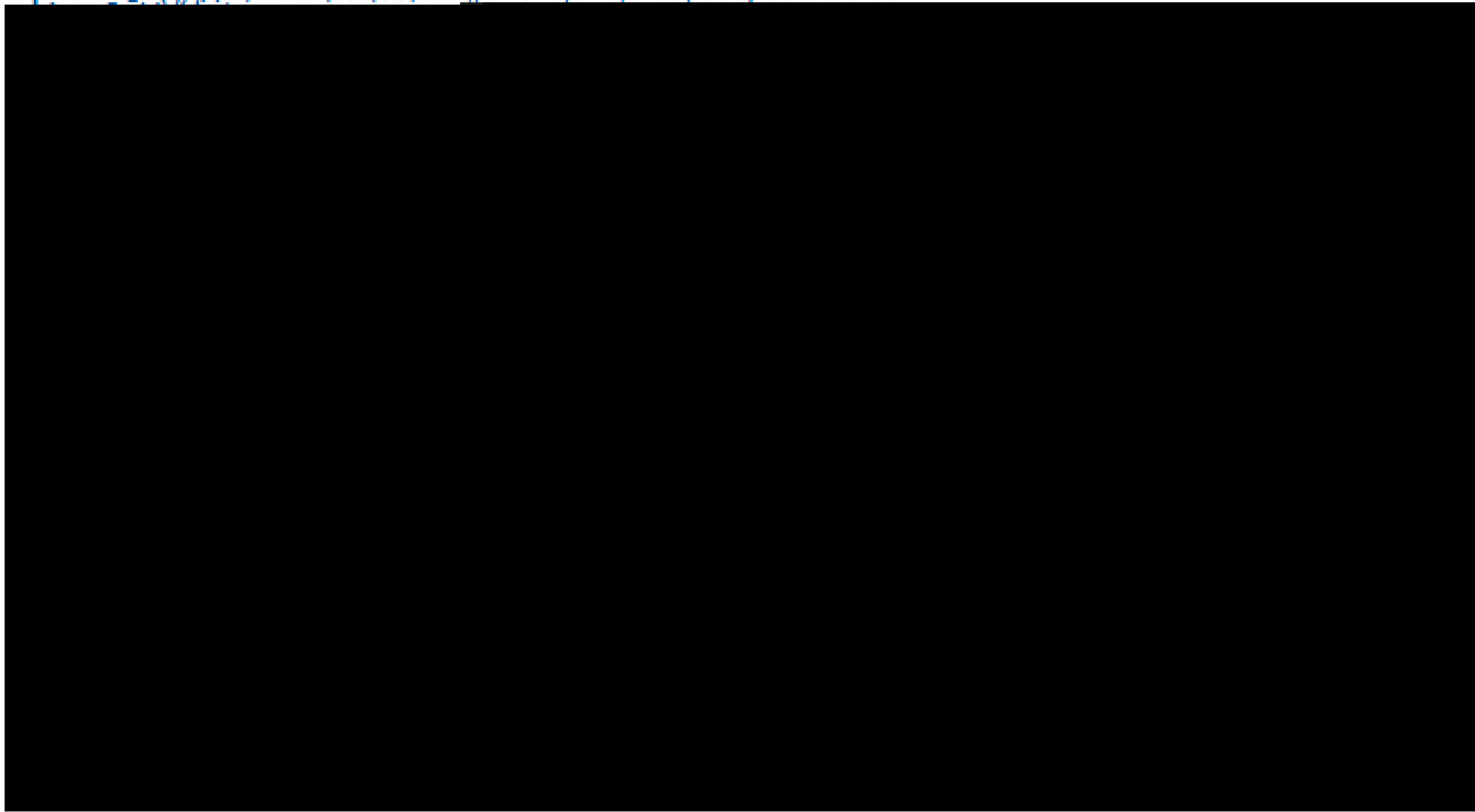
When activities are geographically dispersed across borders to multiple countries the value chain becomes global or regional

Garment/Apparel Value Chain



Changes in the global production and trade landscape

Figure 10.10: Global production and trade landscape



Characteristics of GVCs

A lead firm (a larger enterprise/a multinational) regulates a GVC with specific competences, making a higher profit

Brands, 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

Characteristics of GVCs (cont.)

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

Emergence of GVCs: Drivers

Multilateral liberalization and regional free trade agreements

Regulatory policy approximation and liberalization

Trade, investment, capital & finance, HR

Selected compliance with local content requirements

Technological innovation

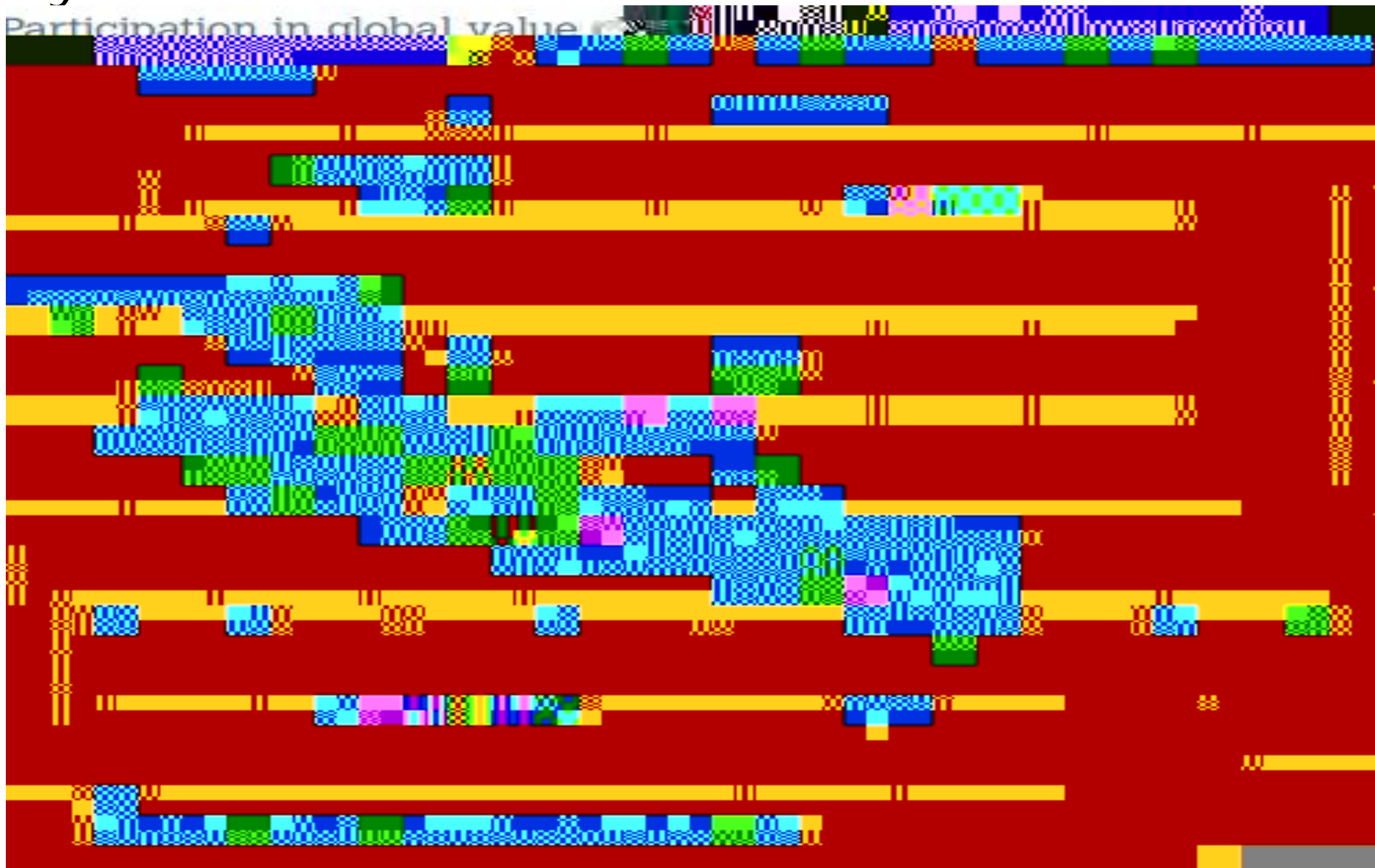
Transportation and ICT

Increasing competition (pressures for lower cost, higher efficiency/quality etc.)

New management strategies

JIT, e-commerce, ERP, supply chain management

Stylized facts:



WTO, 2015 and for Asia-Pacific see APTIR 2015



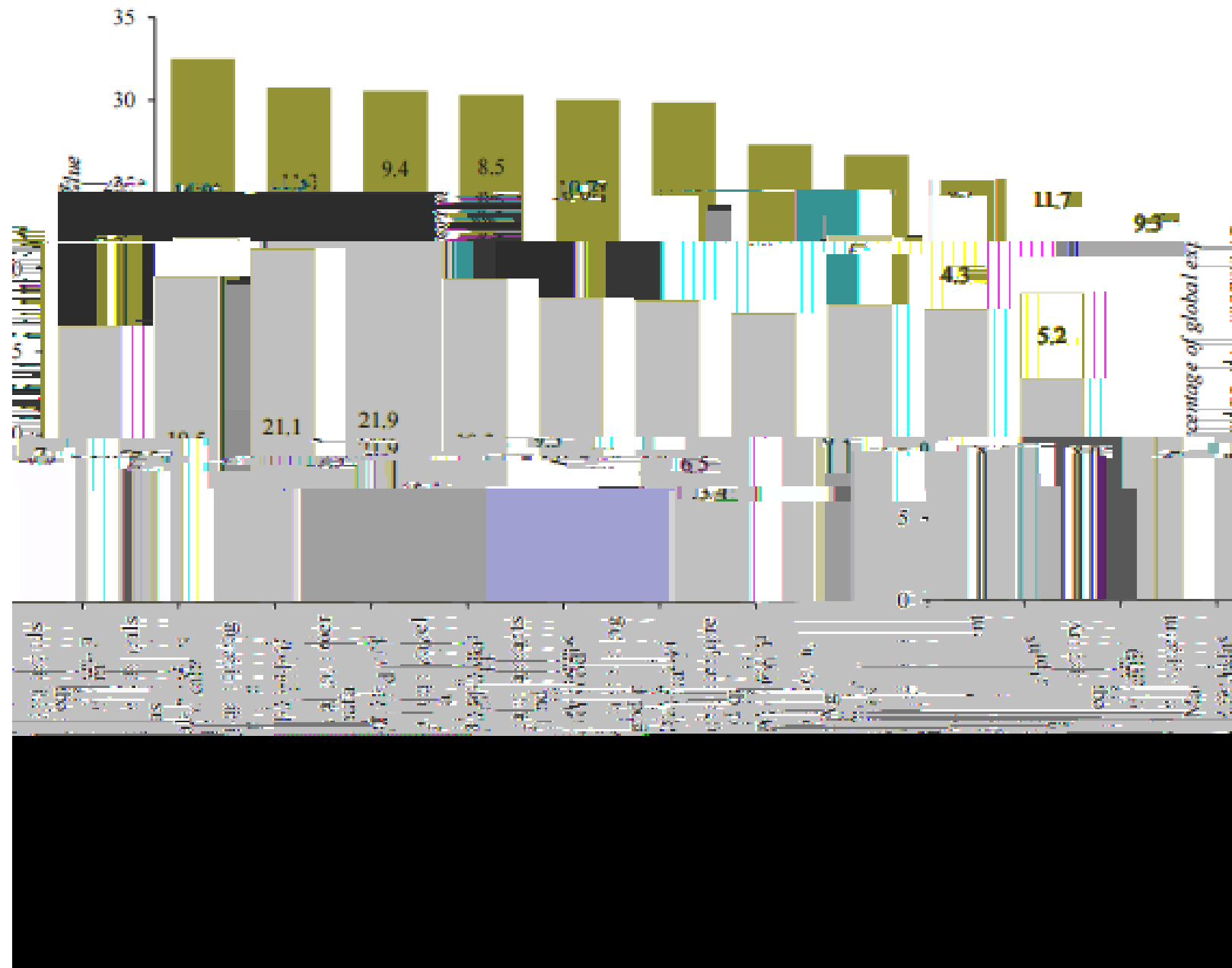
- With appearance of GVCs, traditional statistics (measure trade flows on a gross basis often double counting intermediate goods that cross borders numerous times) no longer reflect the reality
- Emergence of trade statistics on a value-added basis (OECD–WTO Trade in Value-Added (TiVA) database)
- Volume of trade in services generally under estimated

Explanation:

- services normally comprised of less import content than goods exports when calculating trade in Value-Added terms, share of services in total export much larger
 - Intangibility of services disguised in statistics
 - increasingly blurred distinction between goods and services (i.e. computer software)
- Underestimating the importance of trade in services can have unwanted consequences:
 - Harm of barriers to trade underestimated



Services content in gross exports of Asia-Pacific economies, by industrial sector, 2009







Policies

- For goods - control is through border measures (e.g. tariffs)
- For services - control is through regulations - no tariffs (remember how services are supplied?)
- Restrictions are



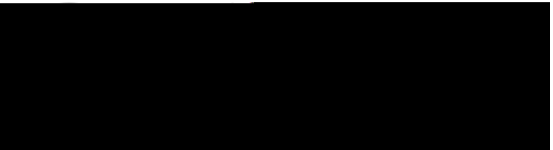
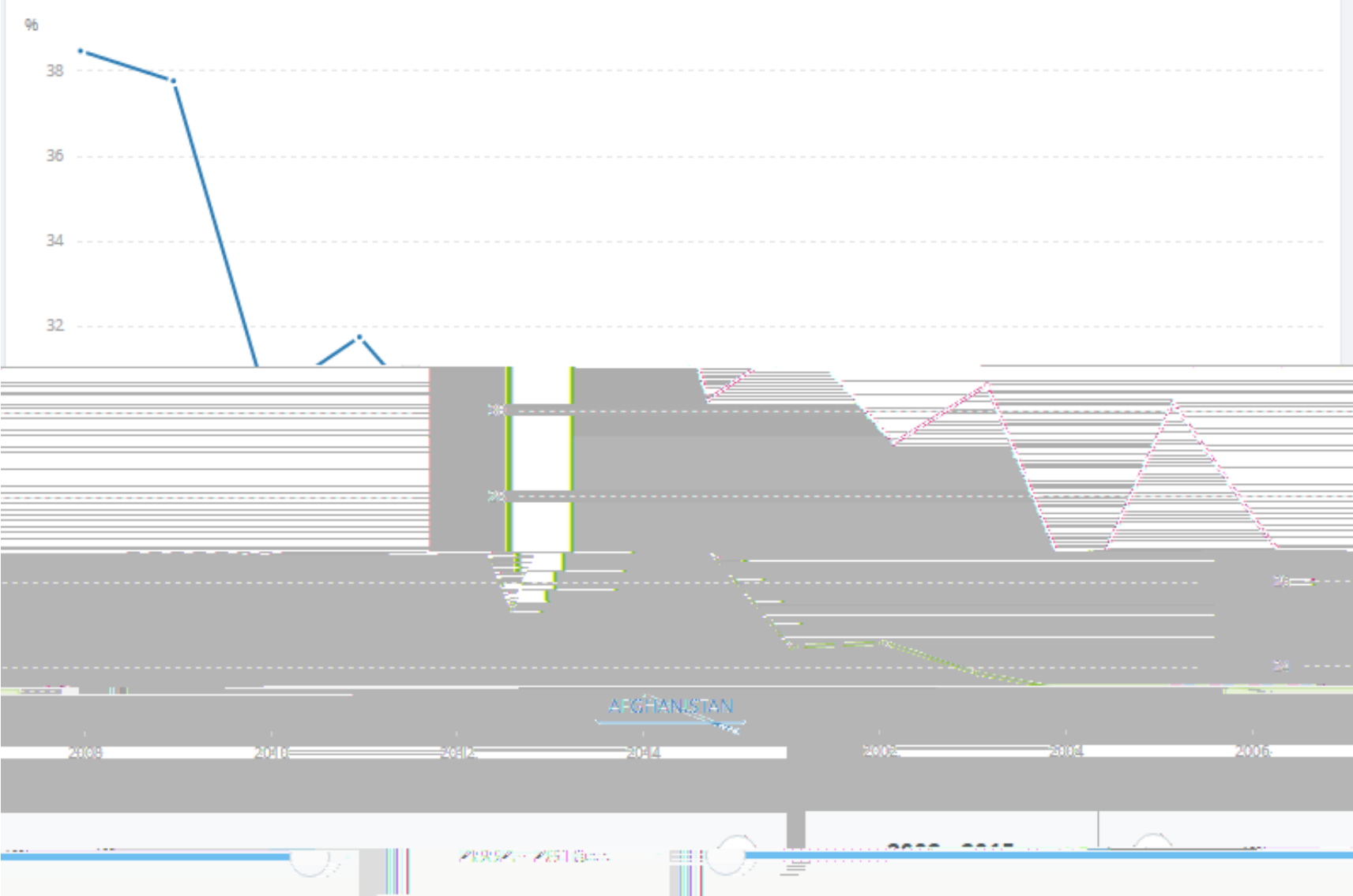


A holistic approach in trade policy

- Efficient access to services is critical for the improvement of

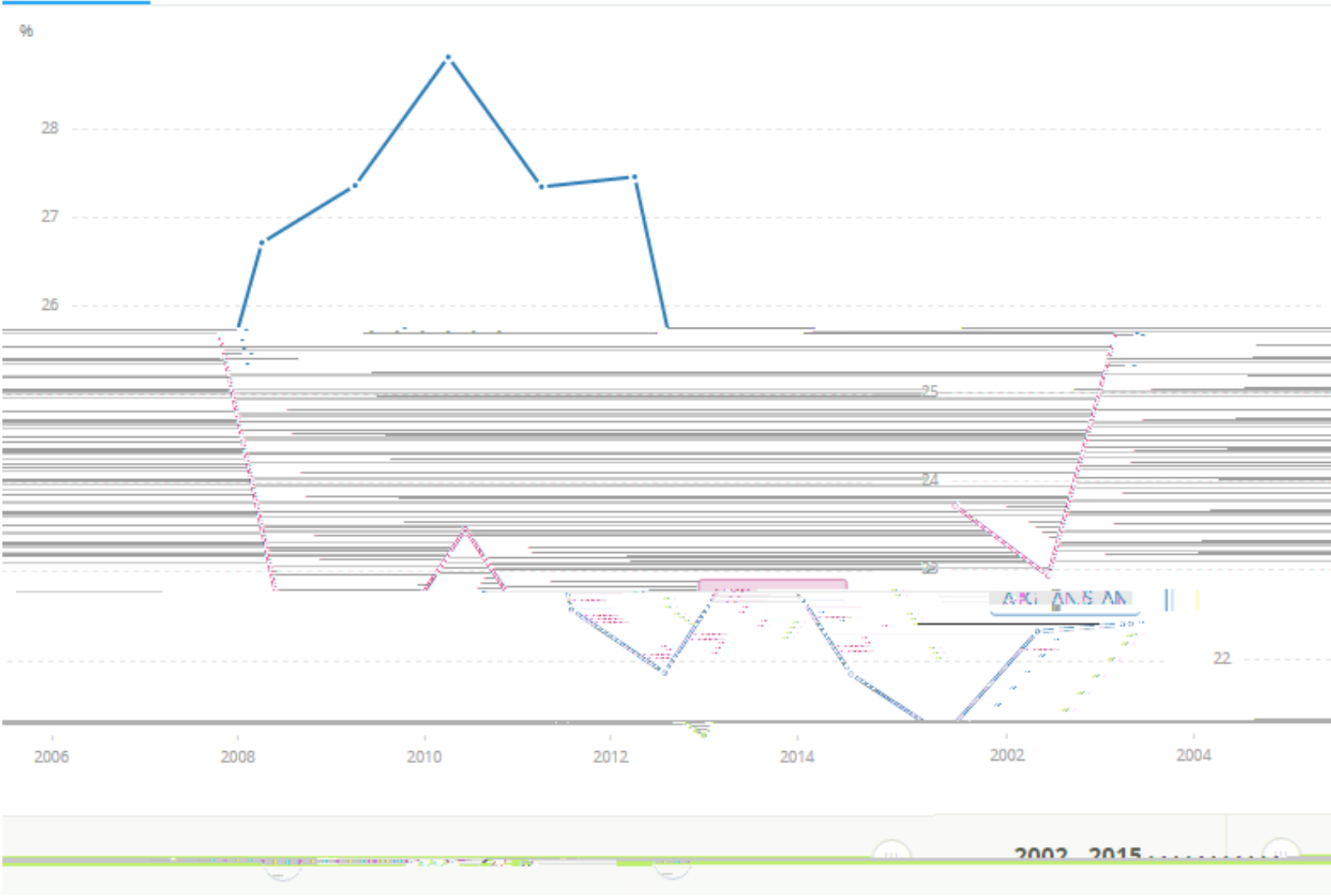


Afghanistan



Afghanistan

Industry, value added (% of GDP)







Mode 1: cross-border provisi

This definition is now commonly known as the four modes of trade in services:





