



Exploring the structural changes in GVC

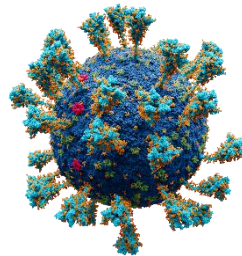
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**Recalibrating global value chains for the post-COVID-19 world – perspectives for CESEE
CEEI, 2021, November 22, Vienna**



Motivation



*„Post covid GVC are breaking, shrinking,
defragmenting, dismating, ...“*

- How has the structure of GVC changed over the last decades?
- How important is domestic activity v global? And how is related to growth? Can we understand GVC without insights into domestic part – especially after Covid-19?
- Is there a difference between CEE and EU15? How about convergence?



Decomposition of value chains

Disaggregation of value chain in an international input-output framework (Knez et al., 2021, JES)

- **Domestic value chain (DVC)**

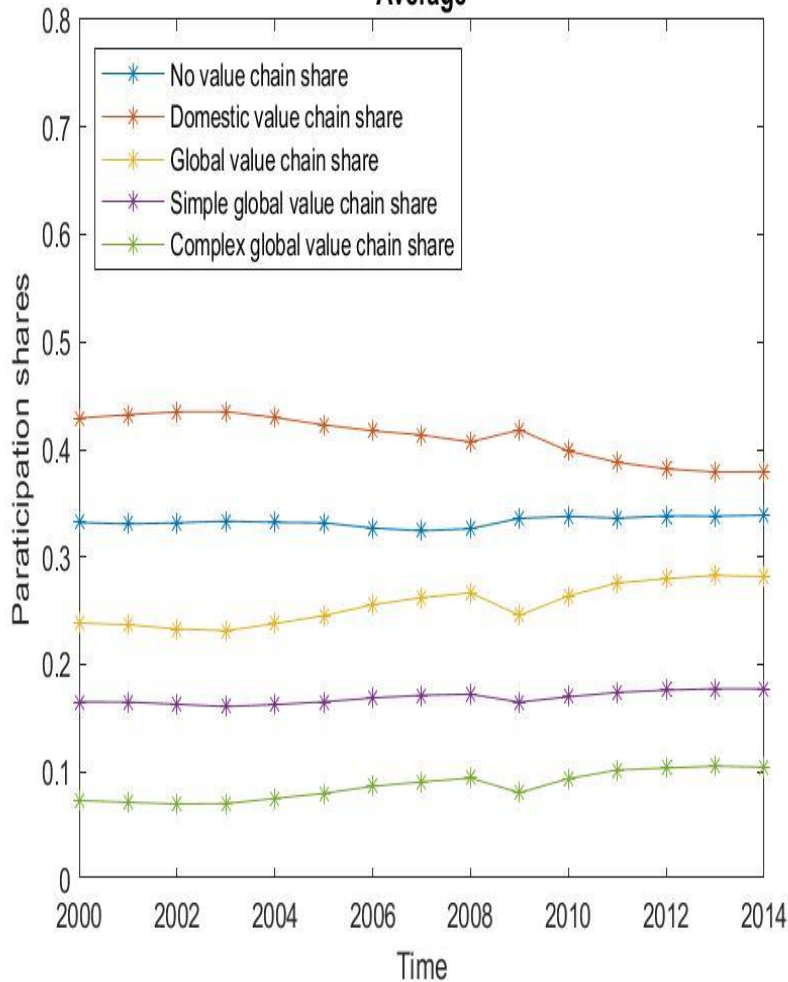
- **Global value chain (GVC)**
 - **Simple global value chain (SGVC)**
 - **Complex global value chain (CGVC)**

- **No value chain (NVC) (residuum)**

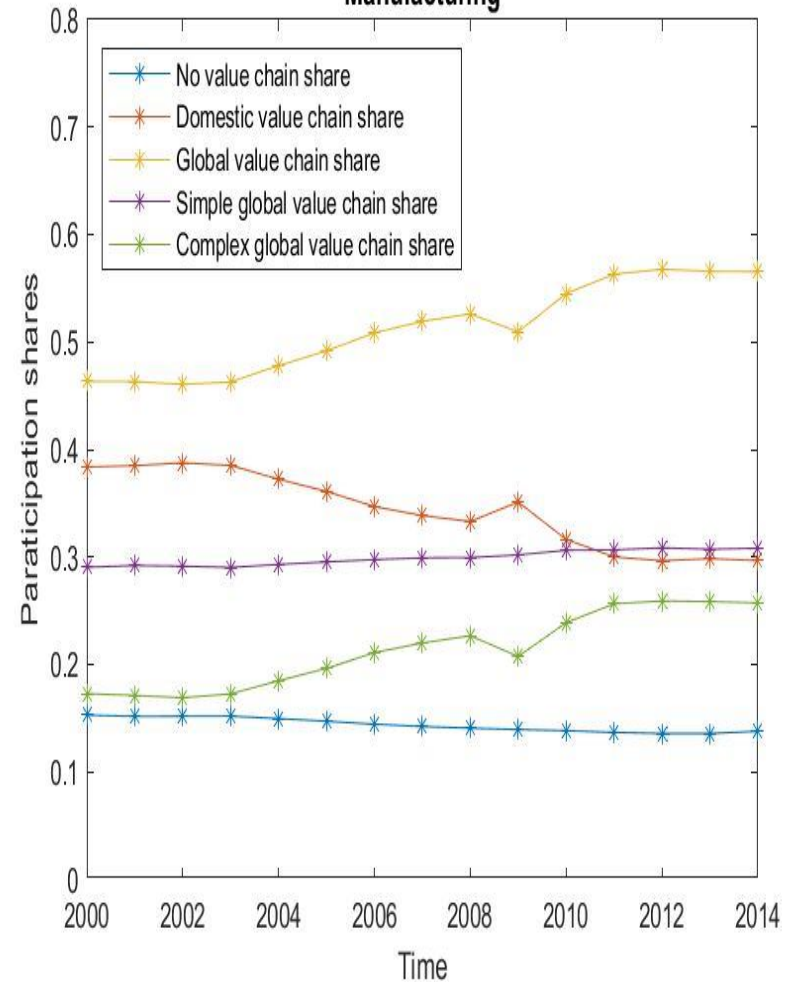


PARTICIPATION SHARE BY TYPE OF VALUE CHAIN IN THE EU, 2000–2014

Participation shares - EU
Average



Participation shares - EU
Manufacturing





Changes in EU

- Decline in domestic value chains
- Increase in global value chains
 - complex increased relatively more than simple
- In manufacturing changes are the same, but even more pronounced



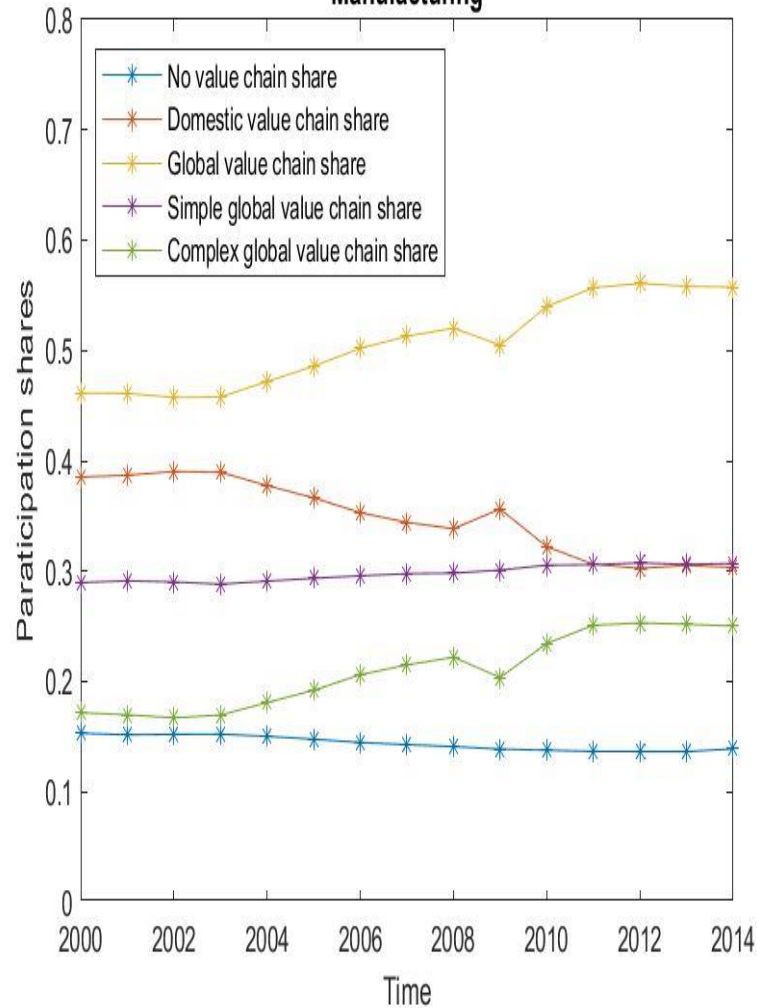
Differences between CEE and WE

- CEE have on average lower average share of domestic shares, but
 - Greater decrease in domestic value chains
 - Greater increase in global value chains;
 - the increase in complex value chains is on average higher than in simple value chains (also relatively to WE)

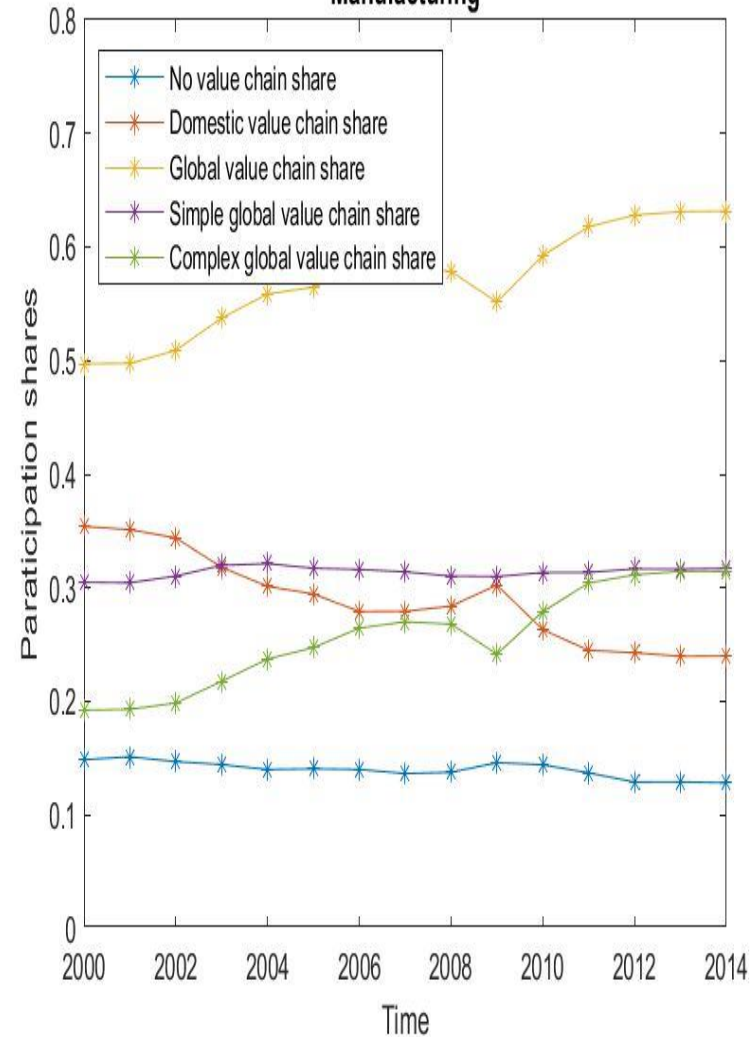


Differences between WE and CEE

Participation shares - Old EU
Manufacturing



Participation shares - New EU
Manufacturing





Implications

How does structure (and changes) influence productivity, growth and convergence?

- Both domestic and global value chains related to GDP growth (Jaklič et al, 2020).
- Structural changes in supplier linkages in CEEc might be one of the factors explaining convergence slowdown after 2008.
 - Are CEE firms ready for complex chains?
 - Can this lead to convergence?



Recent evidence...

Firm level evidence **for Slovenia** show that the structure of value chain in an industry influence productivity growth (Burger et al, forthcoming)

- Productivity growth higher in industries with larger share of domestic value chain
- Productivity growth larger in simple value chain than in complex value chain.

→ Integrating multitier domestic supplier base is important factor for productivity growth

→ Domestic value chains participation is also positively related to productivity growth

Is increase in complex value chain for CEE firms related to:

- Decreased profitability (focus on narrow specialization & scale not on innovation) ?
- Lack of orchestration/coordination skills?

→ Further research: observing the effects inside and outside the national borders, tracing the effects of complex integration with firm level and case study research