GLOBAL VALUE CHAINS AND DEVELOPMENT:
Governance, Upgrading & Local Economies

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AGENDA

1. Origins of the GVC Framework
2. Clarifying Concepts: GVCs, Governance & Upgrading
3. Small Countries and High Tech: Medical Devices GVC in Costa Rica
4. GVC Competition for US Market: China vs. Mexico
5. GVCs and Emerging Economies

WHERE DO GVCS COME FROM?

The New Global Economy

Old World of Trade (pre-1980)

- Countries trade finished goods
- Build national industries (ISI)

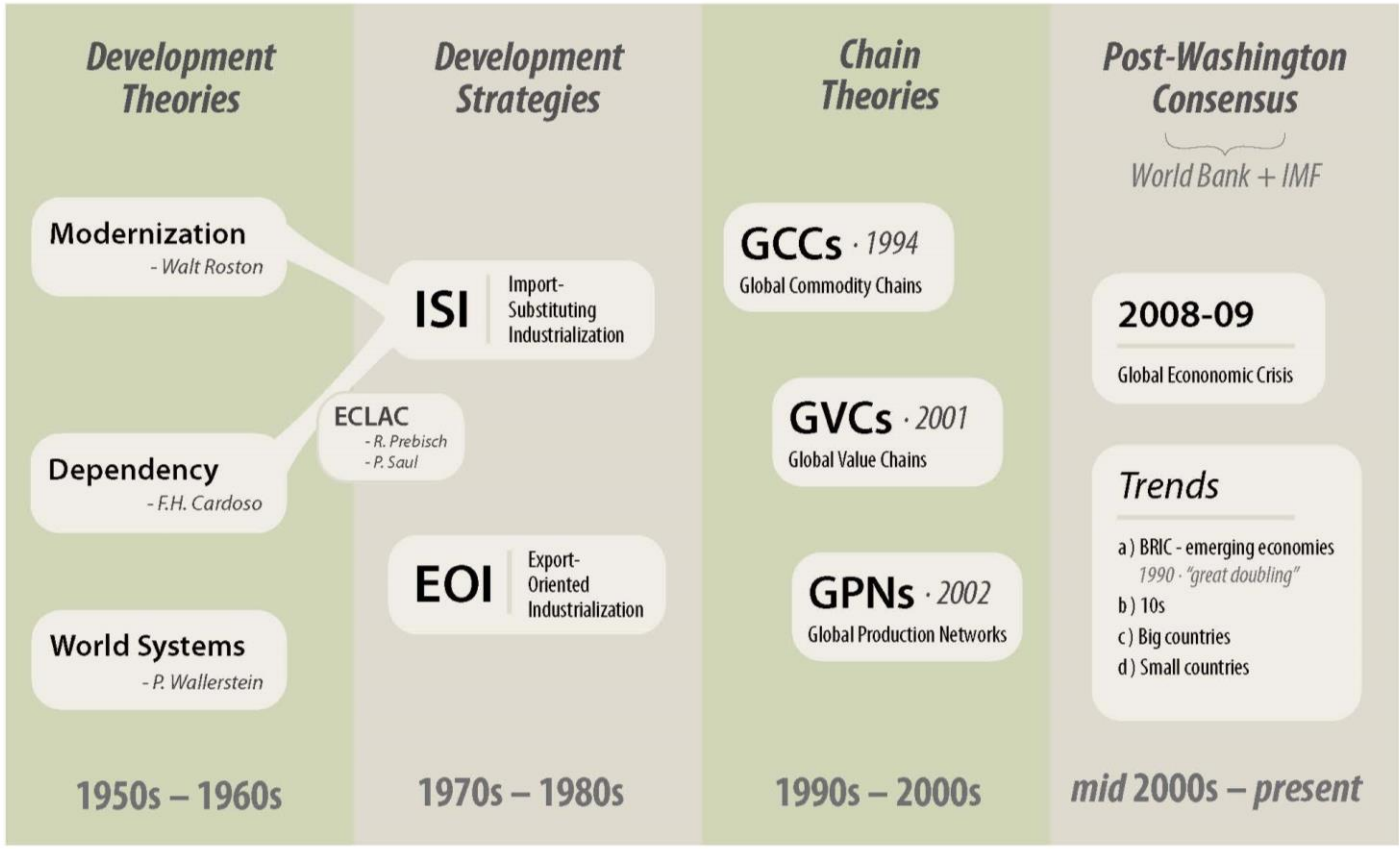
New World of Trade

- Countries trade intermediate goods; imports needed to export
- Join global industries (EOI)

Trends

- **GVCs** → 80% of world trade (UNCTAD, WIR 2013)
- **Rise of intermediate goods trade** (import content of exports): 20% in 1990; 40% in 2010; 60% in 2030 (P. Lamy, WTO)
- **Consolidation** within GVCs in fewer, larger suppliers
- **Concentration** of production and consumption in relatively few large emerging economies

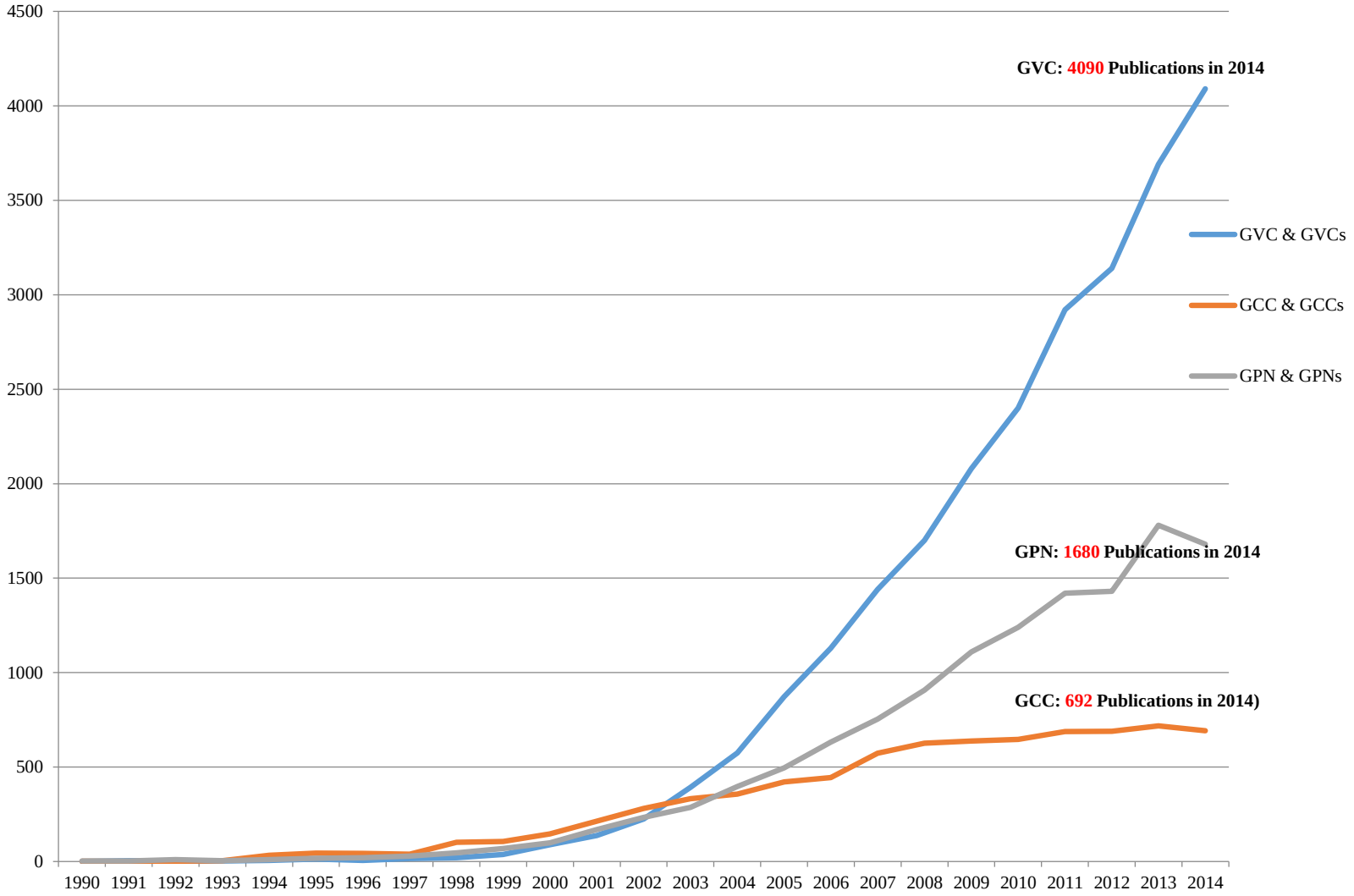
Where does the idea of *Value Chains* come from?



MAJOR STEPPING STONES

- GCCs (global commodity chains) → GVCs (global value chains) (1990s-2000s)
- Rockefeller Foundation's Global Value Chain Initiative (2000-2005) -- https://globalvaluechains.org/
- Duke Center on Globalization, Governance & Competitiveness (Duke CGGC) (2005-present) -- http://www.cggc.duke.edu/
- Adoption and Elaboration by International Organizations of GVC Approach to Development (ca. 2010-2016) -- https://dukegvcsummit.org/
  - E.g., World Trade Organization, OECD, World Bank, Inter-American Development Bank, African Development Bank, Asian Development Bank, ILO, UNCTAD, UNIDO, USAID, DFID, GIZ, etc.

Google Scholar Publications Referencing GVC/GCC/GPN Frameworks



Google Scholar search results that mention a framework in their titles, abstracts, keywords, or full texts: global value chain (GVC), global production network (GPN), and global commodity chain (GCC). ***Source**:* Google Scholar, *https://scholar.google.com/*. Retrieved Feb. 11, 2015.

LANDMARK PUBLICATIONS

- **"The organization of buyer-driven global commodity chains: How U.S. retailers shape overseas production networks," Gereffi (in *Commodity Chains & Global Capitalism*, 1994)**
  - **2491 google scholar citations***
- **"International trade and industrial upgrading in the apparel commodity chain," Gereffi (*J of Internat'l Economics*, 1999)**
  - **3185 google scholar citations***
- **"The governance of global value chains," Gereffi, Humphrey & Sturgeon (*Review of Internat'l Political Economy*, 2005)**
  - **4122 google scholar citations***

***As of 04/21/2016.**

CLARIFYING GVC CONCEPTS

MASTER GVC CONCEPTS: GOVERNANCE & UPGRADING

Global value chain analysis provides both conceptual and methodological tools for examining the global economy

- **Top-down**: a focus on lead firms and inter-firm networks, using varied typologies of industrial "governance"
- **Bottom-up**: a focus on countries and regions, which are analyzed in terms of various trajectories of economic, social and environmental "upgrading" (or "downgrading")

LINKING GLOBAL CHAINS AND LOCAL CLUSTERS

Global Value Chains

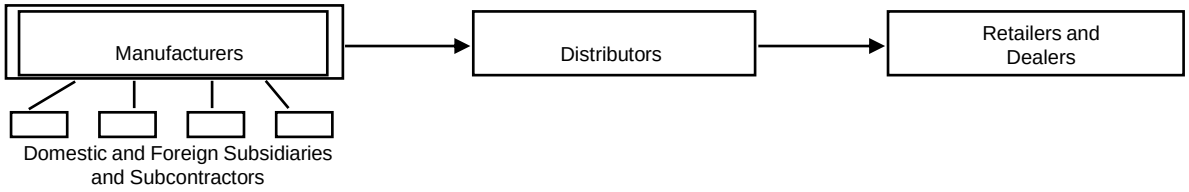
Clusters

TYPES OF CHAINS

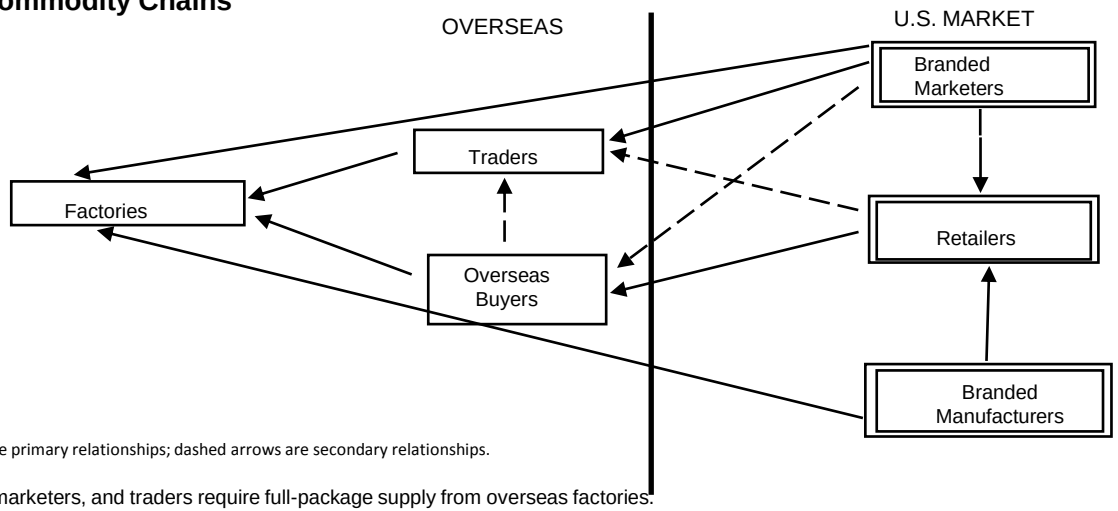
- **Global Supply Chains**
  - Logistics (transportation focus: reduce time + costs)
  - Trade Facilitation (lower barriers at the border)
- **Global Commodity Chains**
  - Producer-driven chains: Trade + FDI (e.g., aircraft, autos, mining, oil)
  - Buyer-driven chains: Trade w/o FDI (e.g., consumer goods); global subcontracting by retailers, brands & supermarkets
- **Global Value Chains**
  - Rise of intermediate goods trade (import content of exports: 20% in 1990; 40% in 2010; 60% in 2030 – P. Lamy)
  - Create, capture & sustain domestic value added (e.g., Chinese i-Phone example; build capabilities of domestic suppliers)
- **Regional Value Chains**
  - Growing in importance, esp. since 2008-09 and in emerging economies; beyond fragmentation and EOI development model.

PRODUCER-DRIVEN AND BUYER-DRIVEN GLOBAL COMMODITY CHAINS

Producer-driven Commodity Chains



Buyer-driven Commodity Chains



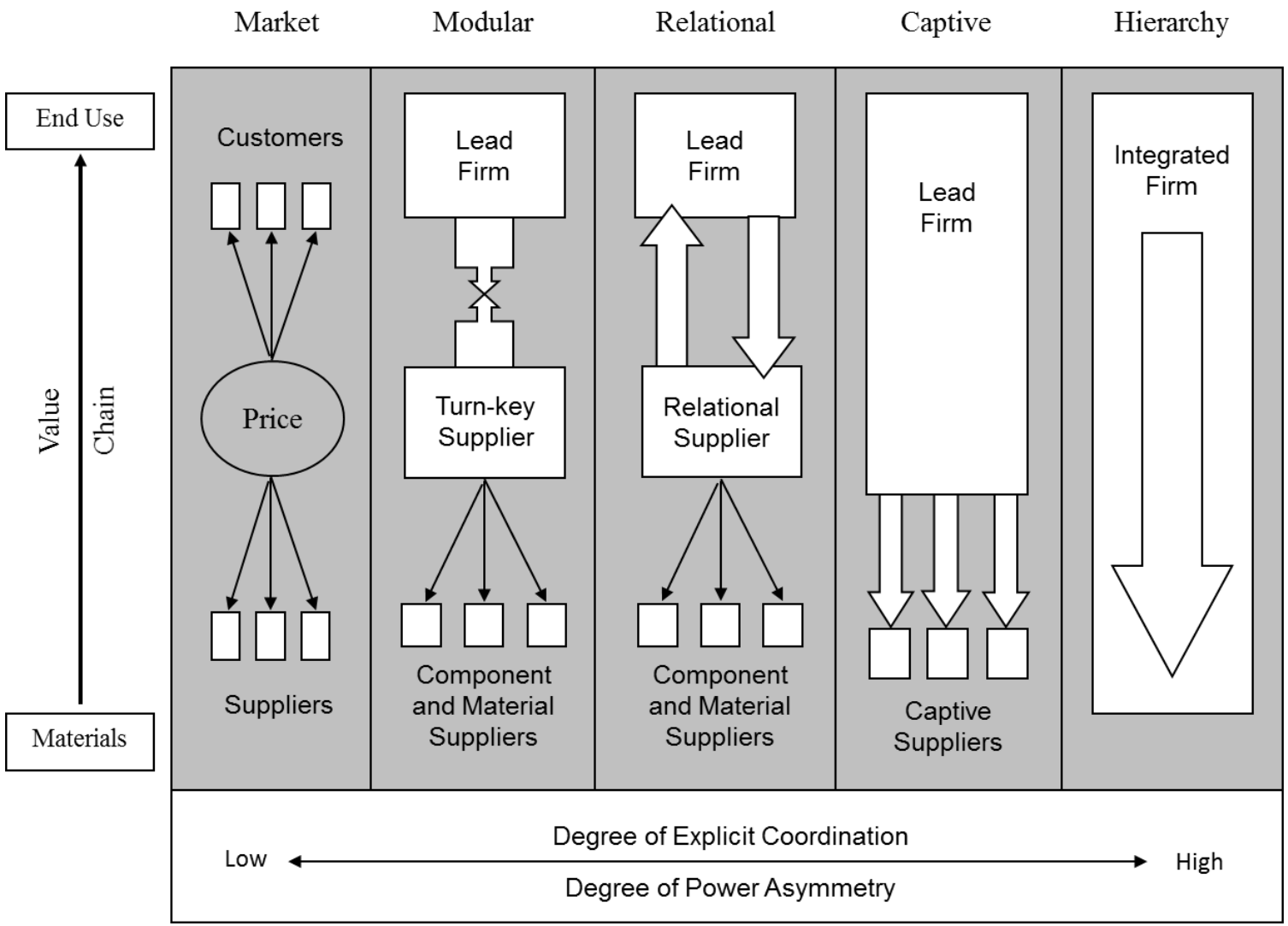
Notes: Solid arrows are primary relationships; dashed arrows are secondary relationships.

Retailers, branded marketers, and traders require full-package supply from overseas factories.

Branded manufacturers ship parts for overseas assembly and re-export to the manufacturer's home market

Source: Gary Gereffi, "The organization of buyer-driven global commodity chains: How U.S. retailers shape overseas production networks," in G. Gereffi & M. Korzeniewicz (eds.), *Commodity Chains and Global Capitalism* (Praeger, 1994), p. 98.

Five GVC Governance Types



G. Gereffi, J. Humphrey & T. Sturgeon, "The governance of global value chains," *Review of International Political Economy* 12, 1 (2005), p. 89.

Global Value Chains: Theoretical Underpinnings

1. Transaction Costs Economics
   - Key concept: Asset specificity
   - *Academic field: Institutional economics*
2. Production Network Theory
   - Key concepts: Trust, reputation, repeat transactions, social networks, geographic proximity, power
   - *Academic fields: Economic sociology, economic geography*
3. Firm-Based Competencies
   - Key concepts: Resource view of the firm, learning, core competence, co-evolution (buyer-supplier and industry)
   - *Academic fields: Strategic management, operations management, evolutionary economics*

A Parsimonious Model: Three Explanatory Variables

1. Complexity of information required for a transaction

2. Extent to which this information can be codified

3. Supplier capabilities in relation to a transaction's requirements

Determinants of GVC Governance

Governance Type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	*Degree of explicit coordination and power asymmetry*
Market	Low	High	High	Low ↕
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	

Network org. forms

Gereffi at al, "The governance of global value chains," RIPE (2005), p. 87.

Dynamics in Global Value Chain Governance

Governance Type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base
Market	Low	High	High
Modular	① High ②	High	High
Relational	High	③ Low	⑤ High ⑥
Captive	High	High	Low
Hierarchy	High	Low	Low

① increasing complexity of transactions (harder to codify transactions; effective decrease in supplier competence)
② decreasing complexity of transactions (easier to codify transactions; effective increase in supplier competence)
③ better codification of transactions (open or de facto standards, computerization)
④ de-codification of transactions (technological change, new products, new processes)
⑤ increasing supplier competence (decreased complexity, better codification, learning)
⑥ decreasing supplier competence.(increased complexity, new technologies, new entrants)

Gereffi at al, "The governance of global value chains," RIPE (2005), p. 90.

GVC LEAD FIRMS & THEIR SUPPLY CHAINS

Giant Retailers: Wal-Mart

- Largest retailer in the world directs the biggest supply chain
- > 60,000 suppliers worldwide and over 80% are in China

Global Brands: Nike

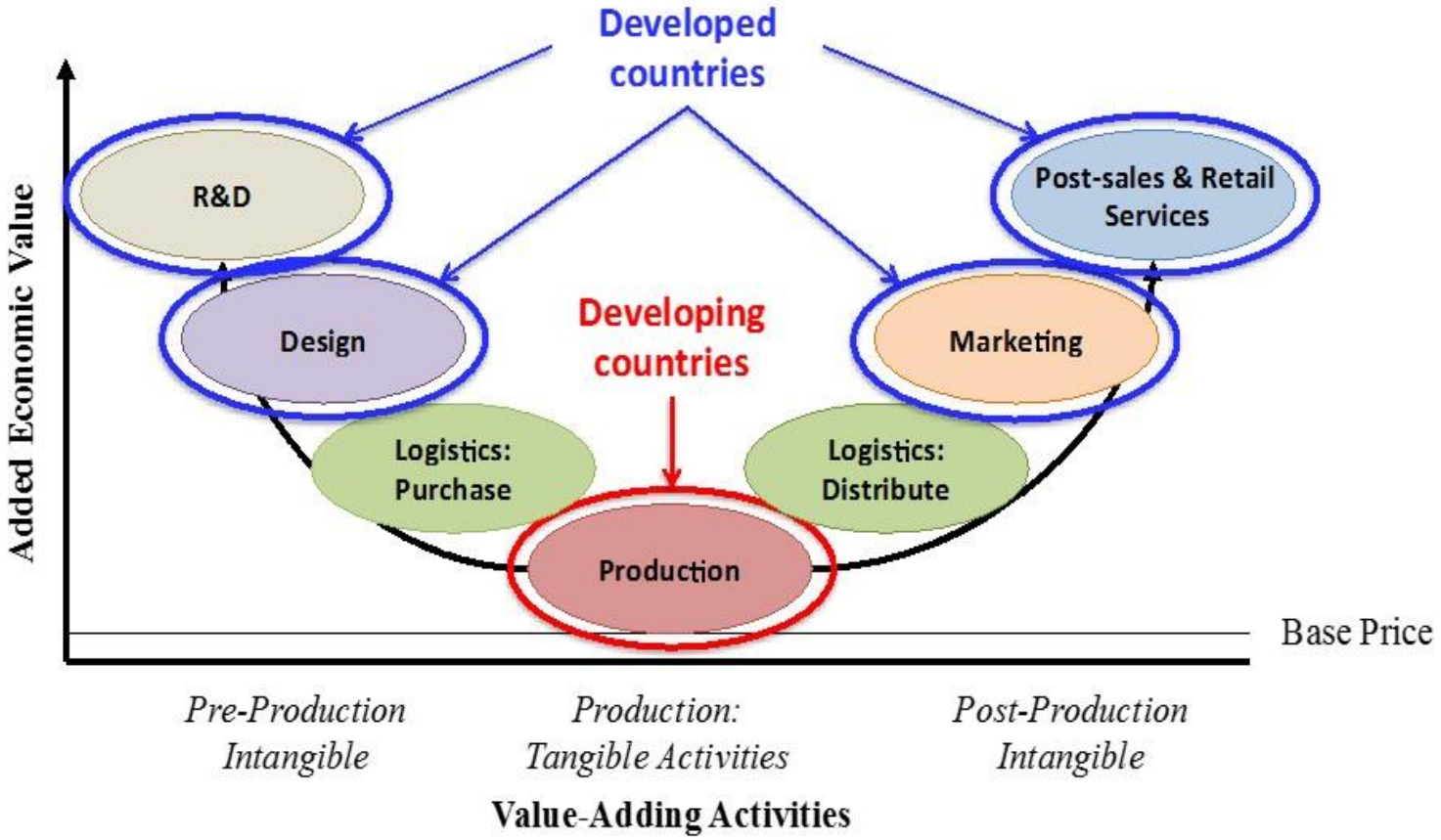
- Nike, the largest sportswear company in the world, does not own any factories.
- Nike products made in 930 factories (subcontractors) in 50 countries
- >1 million workers in supply chain, but just 38,000 direct employees in U.S.

Manufacturers w/o Factories: Apple

- Apple, the top smartphone company in the world, designs and markets its products but owns no factories
- Foxconn, the largest electronics contract manufacturer in the world, makes Apple products and employs >1 million workers in mainland China

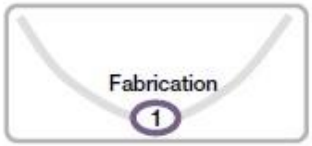
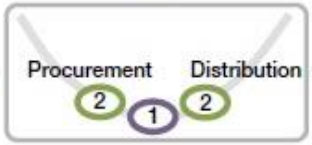
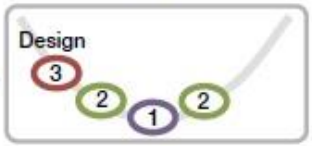
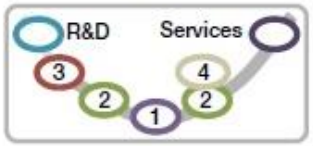
WHERE ARE THE HIGH-VALUE ACTIVITIES IN GVCS?

There has been a tendency for developed countries to concentrate in higher value activities while developing countries are generally concentrated in lower value activities



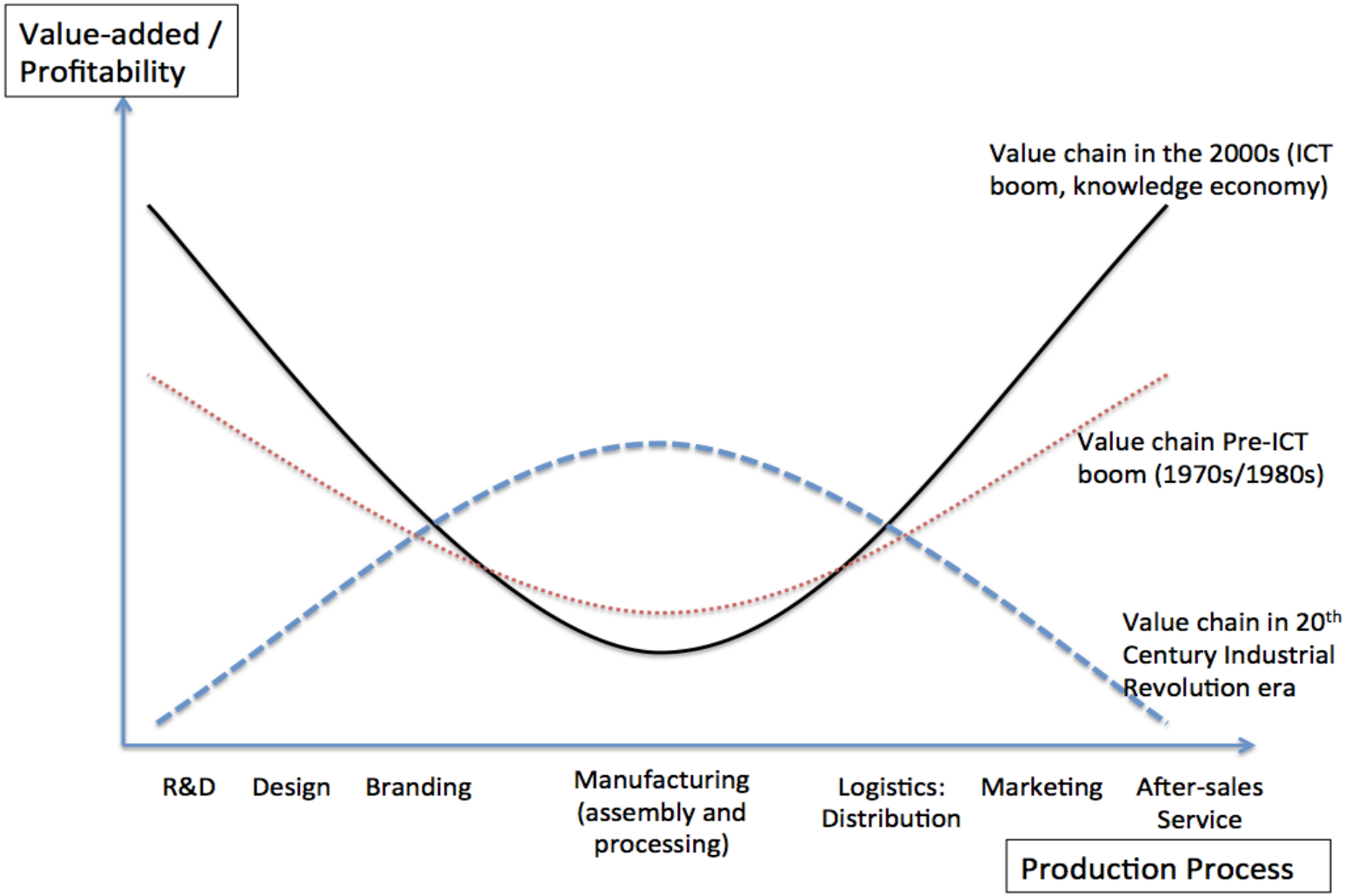
Source: Fernandez-Stark, Karina, Stacey Frederick and Gary Gereffi. (2011). "The Apparel Global Value Chain: Economic Upgrading and Workforce Development. In G. Gereffi, K. Fernandez-Stark & P. Psilos (Eds.), *Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries*. Durham: Center on Globalization Governance & Competitiveness and RTI International.

Value Chain – Types of Upgrading

1. Fabrication (Value chain entry)		Focus on fabrication; suppliers assemble inputs, following buyers' specifications. Inputs may be imported due to limited availability and quality concerns over local inputs. Product focus may be relatively narrow.
2. Supply Chain (Functional upgrading)		Broader range of manufacturing-related functions, such as sourcing inputs and inbound logistics as well as fabrication. The supplier may also take on outbound distribution activities.
3. Product Design (Functional upgrading)		Supplier carries out part of the pre-production processes such as design or product development. Design may be in collaboration with the buyer, or the buyer may attach its brand to a product designed by the supplier.
4. Product Brand (Functional upgrading)		Supplier acquires post-production capabilities and is able to fully develop products under its own brand names. Can be in collaboration with the buyer or by establishing a new market channel.
Product upgrading		Increase unit value by producing more complex products, which requires increasing the capabilities of the firm. Countries must move from low-cost commodities to higher value goods that warrant higher returns as labour costs increase.
Process upgrading		Improving productivity through new capital investments. Improving IT and logistics. Reducing lead time and increasing the flexibility of the supply chain process.

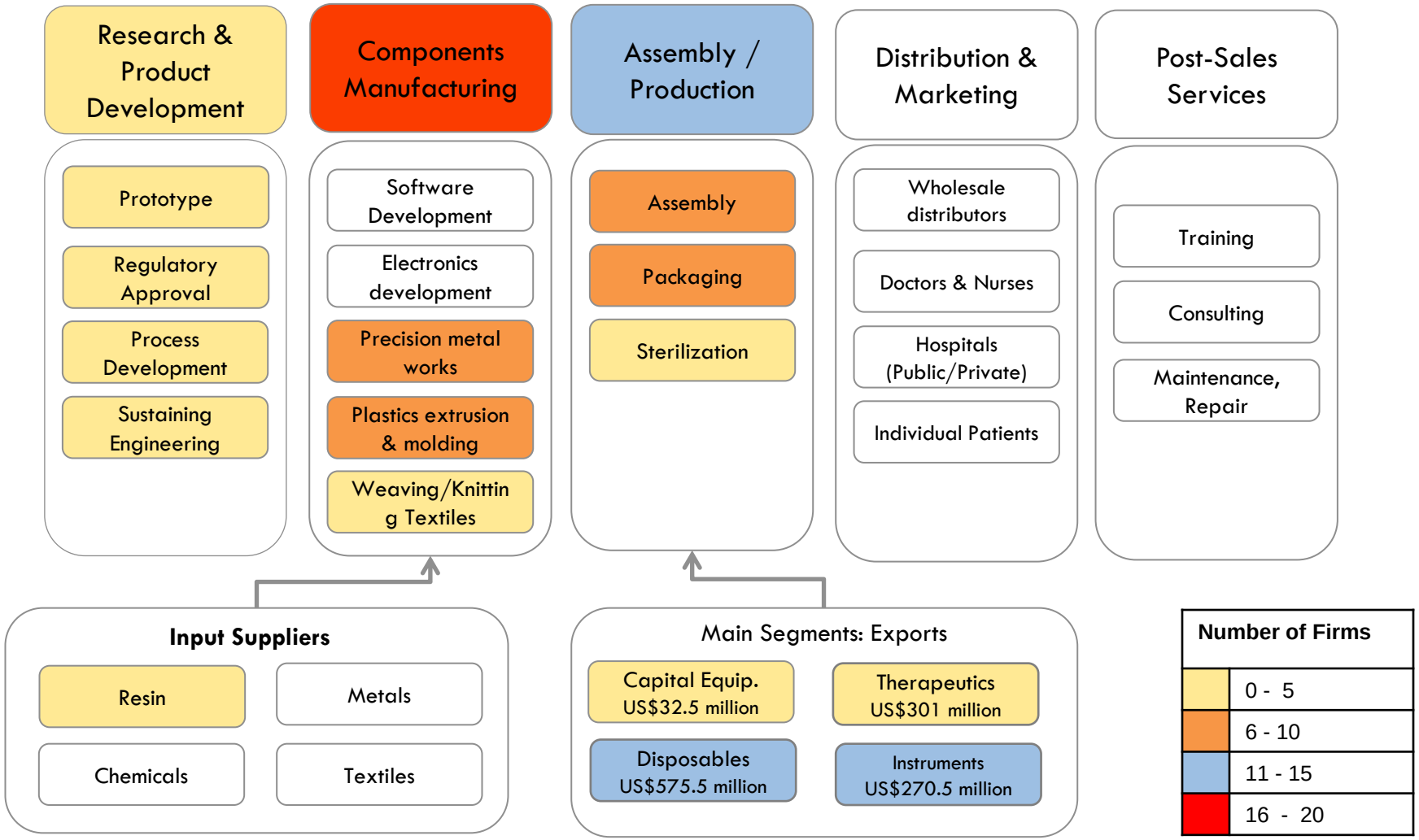
Source: UNIDO, 2014

The Smile Curve in GVCs: Variations



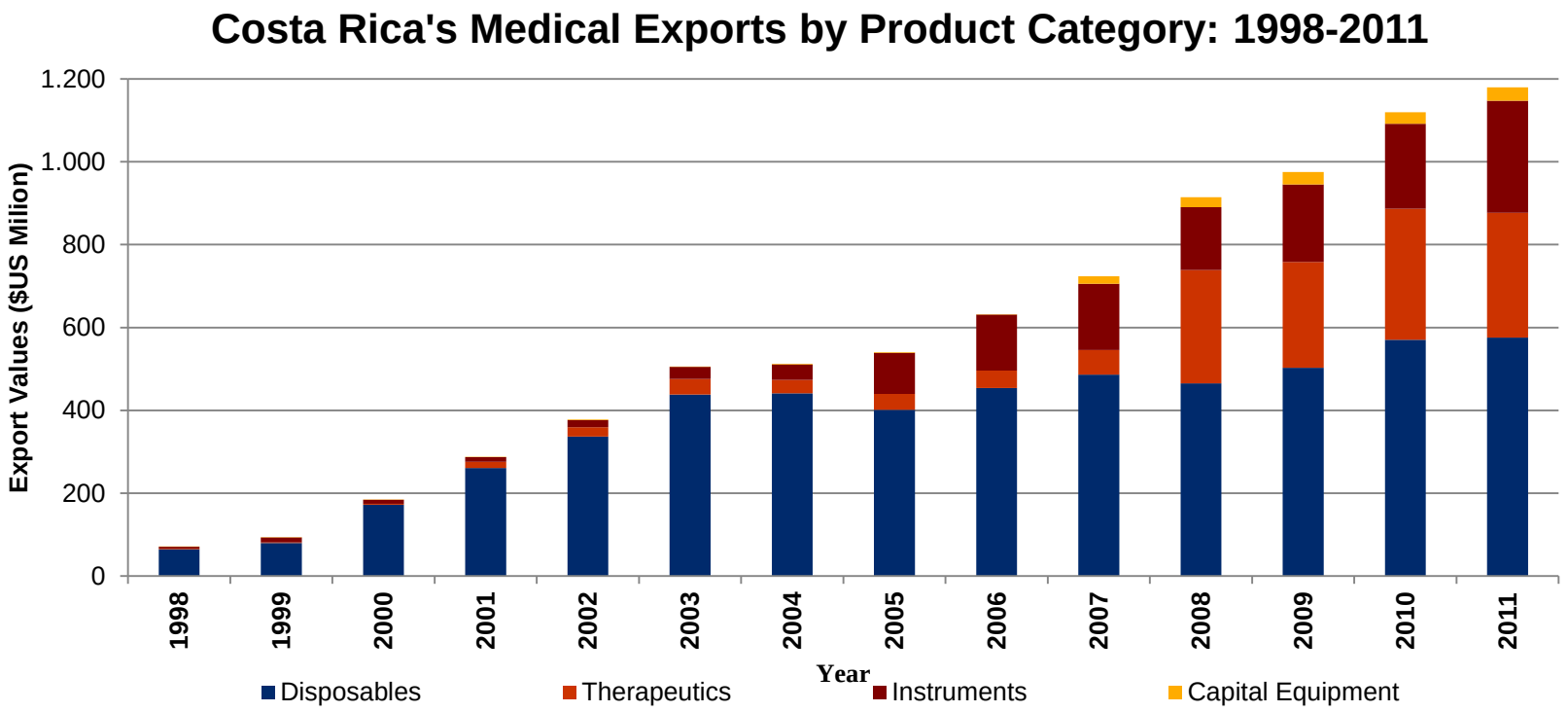
COSTA RICA IN THE MEDICAL DEVICES GVC

COSTA RICA IN THE MEDICAL DEVICES GLOBAL VALUE CHAIN, 2012



Local firms are mainly in packaging & support services (12 of 19) versus 4 in limited role in plastics molding & metal finishing and 1 OEM with exports under $2 million.

EVOLUTION OF MEDICAL DEVICES EXPORTS FROM COSTA RICA

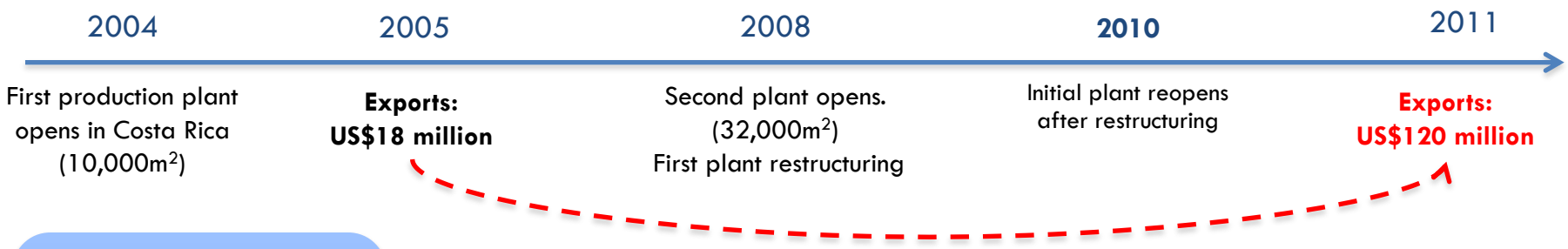


- **Disposables** still the largest product category exported, but no longer a strong growth area.
- Exports in **surgical instruments** have grown steadily since 2005.
- **Therapeutics** has become 2nd largest category since 2008; likely to increase as newly established firms complete transfer of new product lines.
- Limited export of highest value **capital equipment** (eg. Electronic/software devices)

FIRMS IN THE COSTA RICA MEDICAL DEVICES SECTOR

Entry Year	Firm Characteristics	Main Product Export Category	Core Market Segments	Product Examples	Select Firms
Up to 2000 24 firms: 8 US 15 CR 1 German	4 OEMs 8 Components 1 Input distributor 7 Packaging 1 Finishing 3 Support services	Disposables	Drug delivery; Women's health	Intravenous tubing (I) Mastectomy bra (I)	Hospira; Baxter; Amoena; Corbel
2001–2004 13 firms: 9 US 3 CR 1 Colombian	3 OEMS 6 Components 1 Finishing 1 Logistics provider 2 Support services	Instruments	Endoscopic surgery	Biopsy forceps (II)	Arthrocare; Boston Scientific; Oberg Industries
2005–2008 8 firms: 7 US 1 Puerto Rico	2 OEM 4 Components 1 Packaging 1 Finishing	Therapeutics	Cosmetic surgery; Women's health & urology	Breast implants (III) Minimally invasive devices for uterine surgery (II)	Allergan; Tegra Medical; Specialty Coating Systems
2009–2012 21 firms: 16 US 1 CR 1 Ireland 1 Japan 2 Joint ventures (US-CR)	5 OEMS 7 Components 2 Non-OEM assemblers 1 Input Distributor 2 Sterilization 2 Packaging	Therapeutics Disposables Instruments	Cardiovascular Drug delivery	Heart valves (III) Dialysis catheters (III) Guide wires (III) Compression socks (I)	Abbott Vascular St. Jude Medical Covidien Moog Synergy Health Volcano Corp.

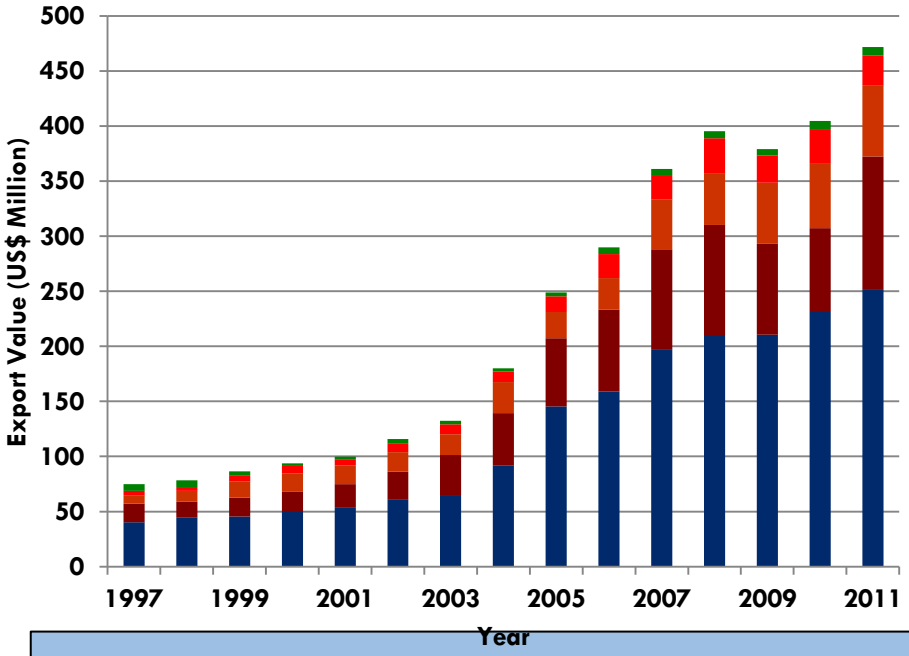
UPGRADING SUCCESS: A LEADING MEDICAL DEVICES MNC



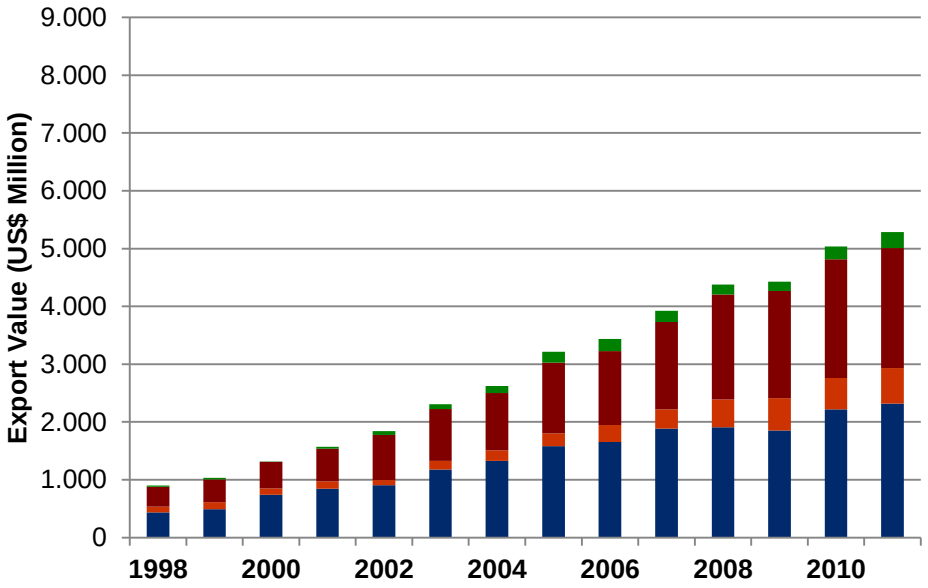
Functional Upgrading	• 2004: Manufacturing functions • 2012: Engineering for process improvements ➔Focused on cardiology segment; strategy – to alleviate R&D costs in the US.
Product & Process Upgrading	• Biopsy forceps➔ Labor intensive, basic metal works & extrusion. • Urethral stent➔ Thermoforming, laser marking, coating capabilities. • Guide Wires ➔ Sophisticated Laser cutting & welding. • Today – CR facilities cover 42 manufacturing processes.
Market Diversification	• Gastroenterology segment ➔ Urology ➔ Cardiovascular
Forward Linkages	• Recent co-location of sterilization vendors will allow the firm to export directly to global distribution centers

BRAZIL Y MEXICO: EXPORTACIONES DE DISPOSITIVOS MEDICOS 1998-2011

BRAZIL



MEXICO



- Disposables: largest product category & growing
- Brazilian government & private sector actors working to promote price-competitive, mid-tech exports.

- Stabilizing disposables exports
- Strong focus in instruments
- Growing gains in capital equipment ➔ participation in electronics value chains

GVC BATTLE FOR THE U.S. MARKET: CHINA VS. MEXICO

Mexico vs. China

- Head-to-head competition in U.S. market
- China is world's leading exporter of many manufactures, esp. consumer goods
- China and Mexico are typically among the top three exporters to the U.S. market in many product categories
- China is moving ahead of Mexico with dominant market shares in the United States, especially in 2000-2005 period

Mexico's and China's Competing Exports to US Market

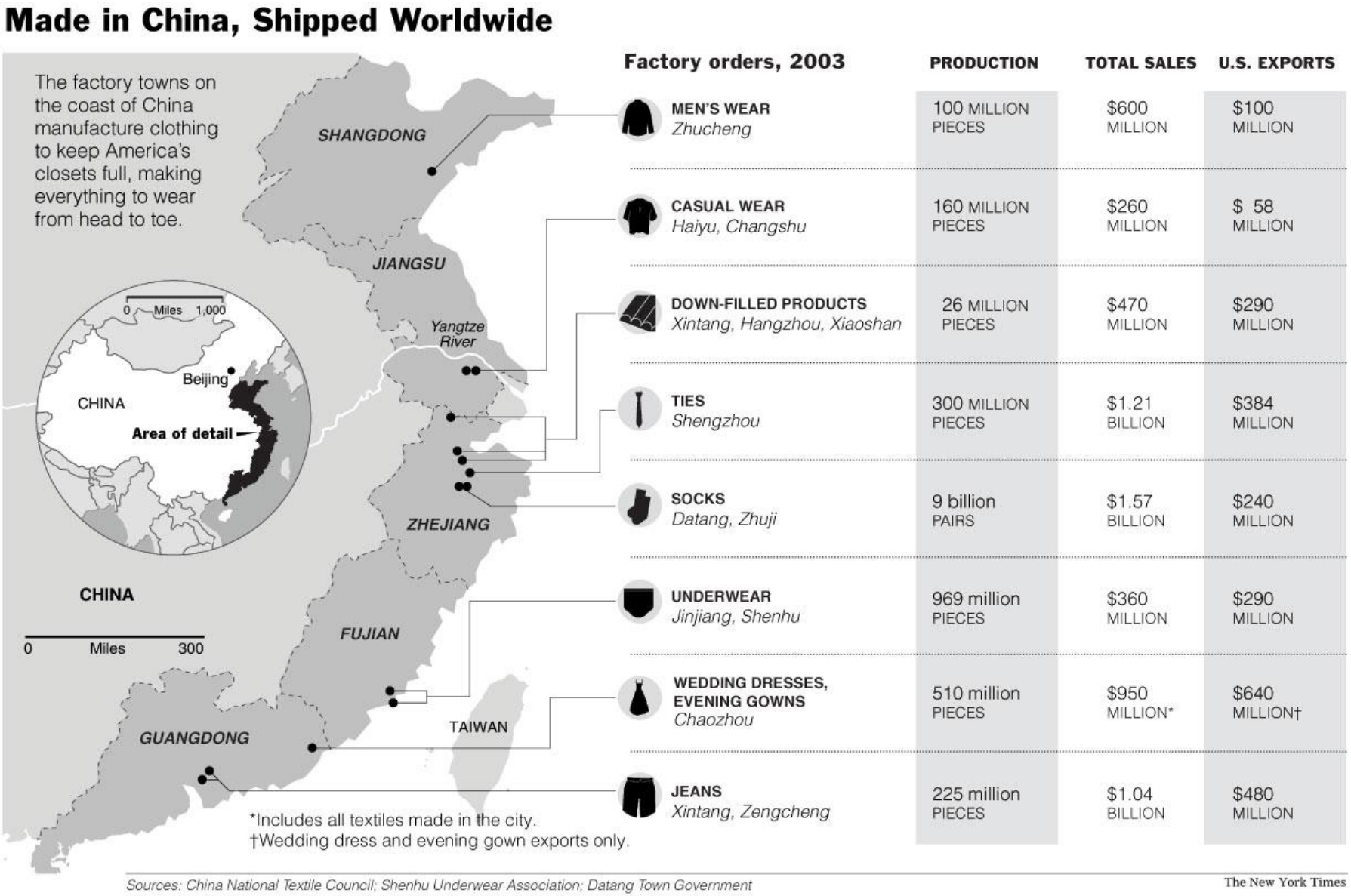
SITC Category	Product		2000 Value (billions)	2000 Share of US market	2007 Value (billions)	2007 Share of US market	2014 Value (billions)	2014 Share of US market	Change in Market Share 2000-2007	Change in Market Share 2007-2014
752	Automatic Data Processing Machines	Mexico	6.4	11.5	5.6	9.6	13.5	16.6	-1.9	7.0
		China	6.3	11.3	28.6	49.3	53.3	65.7	38.0	16.4
		US Total	55.9		57.9		81.1			
764	Telecom Equipment	Mexico	9.1	20.6	10.8	13.6	12.1	10.2	-7.0	-3.4
		China	4.6	10.3	29.6	37.3	68.7	58.0	26.9	20.8
		US Total	44.3		79.5		118.4			
778	Electrical Machinery	Mexico	3.1	18.3	5.0	21.8	7.2	21.4	3.5	-0.4
		China	2.0	11.9	6.1	26.6	11.2	33.2	14.7	6.6
		US Total	17.1		23.1		33.7			
784	Auto Parts	Mexico	4.6	16.3	10.2	22.2	19.1	30.4	5.8	8.2
		China	0.4	1.5	3.6	7.8	8.3	13.2	6.2	5.4
		US Total	28.4		46.2		62.9			
821	Furniture	Mexico	3.2	16.9	4.6	13.6	7.6	18.3	-3.3	4.7
		China	4.5	23.6	16.2	47.7	19.2	46.3	24.1	-1.4
		US Total	18.9		33.9		41.5			
84	Apparel and Cothing	Mexico	8.7	13.6	4.7	5.8	4.0	4.4	-7.8	-1.4
		China	8.5	13.2	27.1	33.4	34.2	37.9	20.2	4.5
		US Total	64.3		81.2		90.2			

Source: US Department of Commerce (http://dataweb.usitc.gov), Downloaded Aug 26, 2015

Why is China gaining U.S. market share over Mexico?

- China is **a lower-cost producer** overall (labor costs lower, but not transport & tariffs)
- China has huge **scale economies**
- China has a coherent and multidimensional **upgrading strategy** – diversify and add high value activities
- China is using **direct foreign investment** to promote "fast learning" in new industries
- China uses **access to its domestic market** to attract TNCs and promote knowledge spillovers

China's Supply Chain Cities in Apparel



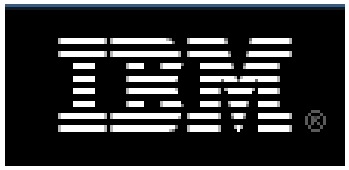
Factory orders, 2003	PRODUCTION	TOTAL SALES	U.S. EXPORTS
MEN'S WEAR *Zhucheng*	100 MILLION PIECES	$600 MILLION	$100 MILLION
CASUAL WEAR *Haiyu, Changshu*	160 MILLION PIECES	$260 MILLION	$ 58 MILLION
DOWN-FILLED PRODUCTS *Xintang, Hangzhou, Xiaoshan*	26 MILLION PIECES	$470 MILLION	$290 MILLION
TIES *Shengzhou*	300 MILLION PIECES	$1.21 BILLION	$384 MILLION
SOCKS *Datang, Zhuji*	9 billion PAIRS	$1.57 BILLION	$240 MILLION
UNDERWEAR *Jinjiang, Shenhu*	969 million PIECES	$360 MILLION	$290 MILLION
WEDDING DRESSES, EVENING GOWNS *Chaozhou*	510 million PIECES	$950 MILLION*	$640 MILLION†
JEANS *Xintang, Zengcheng*	225 million PIECES	$1.04 BILLION	$480 MILLION

Source: David Barboza, "In roaring China, sweaters are west of socks city," New York Times, Dec. 24, 2004.

MNC R&D Centers in China How are engineers being used?

- What kinds of work are Chinese, Indian, and American engineers actually doing?
  - Answer: Not just product adaptation, but cutting-edge research & commercialization

- China: More than 1,200 MNC R&D Centers
  - GE's China Technology Center: Advanced research in energy storage, environmental management
  - Microsoft Research Asia: Cutting-edge graphics & multimedia research



China Is Climbing the Value Chain…

- Moving from low-tech to high-tech manufactured goods
- Moving from manufacturing to high value services
  - R&D, design, marketing of national brands, logistics, finance
- Moving from inward FDI (joint ventures & technology transfer) to outward FDI (primary commodities, computers, shipping)
- ***BUT BEWARE***…High tech exports don't necessarily mean high value added production → e.g., China's iPod

China assembles all iPods, but it only gets about $4 per unit – or just over 1% of the US retail price of $300

451 parts that go into the iPod

Hard Drive by Toshiba → Japanese company, most of its hard drives made in the Philippines and China; it costs about $73 - $54 in parts and labor -- so the value that Toshiba added to the hard drive was $19 plus its own direct labor costs

Video/multimedia processor chip by Broadcom→ American company with manufactures facilities in Taiwan. This component costs $8.

Controller chip by Portal Player→ American company with manufactures .This component costs $5 .

-Final assembly→ done in China, costs only about $4 a unit

The unaccounted-for parts and labor costs involved in making the iPod came to about $110

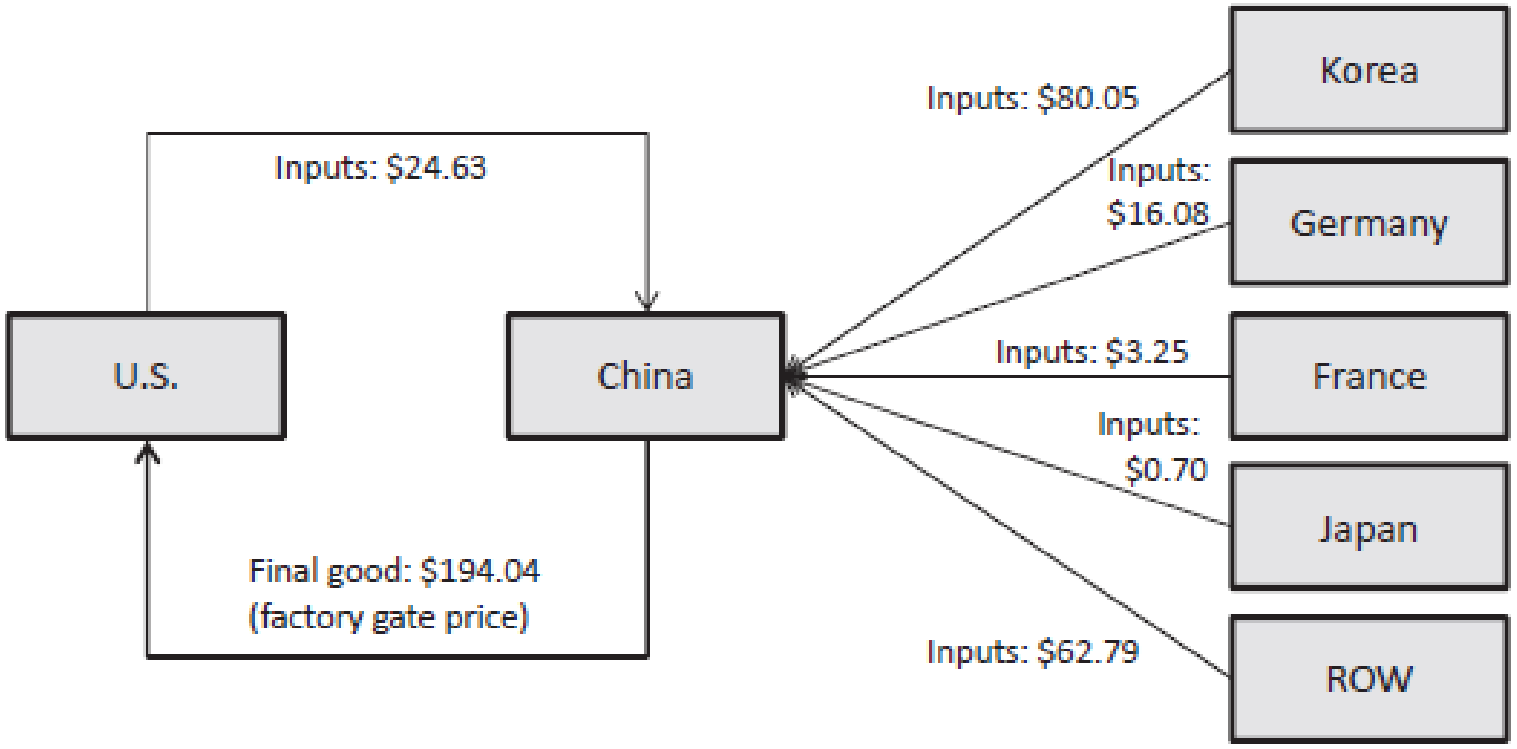
The largest share of the value added in the iPod goes to enterprises in the United States→ $163 of the iPod's $299 retail value in the United States was captured by American companies and workers, breaking it down to $75 for distribution and retail costs, $80 to Apple, and $8 to various domestic component makers.

The retail value of the 30-gigabyte video iPod that the authors examined was $299 in June, 2007

The bulk of the iPod's value is in the conception and design of the iPod. That is why Apple gets $80 for each of these video iPods it sells, which is by far the largest piece of value added in the entire supply chain. Apple figured out how to combine 451 mostly generic parts into a valuable product.

Source: Varian, Hal R. The New York Times, June 28, 2007. An iPod Has Global Value. Ask the (Many) Countries That Make It.

U.S. Trade Balance with China for iPhone 4 (US$, 1 unit)



US trade balance with	China	Korea	Germany	France	Japan	Rest of World	World Total
Gross	-$169.41	0	0	0	0	0	-$169.41
Value added	-$6.54	-$80.05	-$16.08	-$3.25	-$0.70	-$62.79	-$169.41

Source: G. Gereffi and J. Lee, "Why the world suddenly cares about global supply chains," *Journal of Supply Chain Management* (2012).

THE ROLE OF EMERGING ECONOMIES IN GVCs

Seven Selected Emerging Economies in Comparative Perspective, 2013

Country	Population (Millions)[1]	Exports ($Billions)[2]	GDP ($Billions)[1]	GDP/capita (USD)[1]	GDP/capita (PPP)[1]	GDP growth YoY (%)[1]	Percent of GDP[3]		
							Agriculture	Industry	Services
China	1,357	$2,209	$9,240	$6,807	$11,906	7.7	10	44	46
South Korea	50	$560	$1,305	$25,977	$33,140	3.0	3	39	58
Russia	143	$527	$2,096	$14,611	$24,114	1.3	4	38	58
Mexico	122	$380	$1,261	$10,307	$16,463	1.1	4	36	60
India	1,252	$337	$1,877	$1,498	$5,412	5.0	17	26	57
Brazil	200	$242	$2,246	$11,208	$15,038	2.5	6	26	68
South Africa	53	$95	$351	$6,618	$12,507	1.9	3	29	68
Total or Avg.	3,177	$4,350	$18,376	$11,004	$16,940	3.2	7	34	59
World Total	7,125	$17,635	$75,593	$10,610	$14,397	2.2			
% of World Total	45%	25%	24%	104%	118%	146%			

Sources:
(1) World Bank, World Development Indicators: http://data.worldbank.org
(2) UN Comtrade, International Trade Center: http://comtrade.un.org/
(3) CIA World Factbook, Country Profiles: https://www.cia.gov/library/publications/the-world-factbook/

Emerging Economy Export Profiles
(Percentages of total exports: 2013)

	Share of exports by sector in 2013*					Total Export Value ($Billions)	Change in total export value, 2000-2013	Percentage point change in share of exports by sector, 2000-2013				
	Primary Products	Resource Based	Low-Tech	Medium-Tech	High-Tech			Primary Products	Resource Based	Low-Tech	Medium-Tech	High-Tech
China	3%	8%	32%	23%	34%	2,209	786%	-4	0	-10	4	11
South Korea	2%	17%	9%	43%	28%	560	226%	0	6	-8	10	-8
Russia	55%	29%	2%	8%	2%	527	412%	6	10	-3	-3	-2
Mexico	16%	8%	9%	42%	22%	380	129%	3	3	-6	4	-6
India	14%	38%	20%	18%	8%	337	702%	0	9	-19	7	3
Brazil	33%	33%	5%	21%	4%	242	340%	13	6	-7	-4	-8
South Africa	25%	31%	6%	27%	3%	95	265%	8	1	-3	1	-1

*Exports totals do not include uncategorized exports, and therefore they may not equal 100%.

Legend:	x ≤ -6	-5 ≤ x < 0	0 ≤ x ≤ 9	x ≥ 10

Emerging Economies: Development Strategies in Conflict

China: Combining labor-intensive, technology-intensive and knowledge-intensive GVCs

- iPhone case: East Asian regional ecosystem
- Innovation & MNC R&D centers; joint-ventures

Brazil

- Soybean value chain
- Electronics & Foxconn

South Africa

- Climbing natural resource GVCs in Africa

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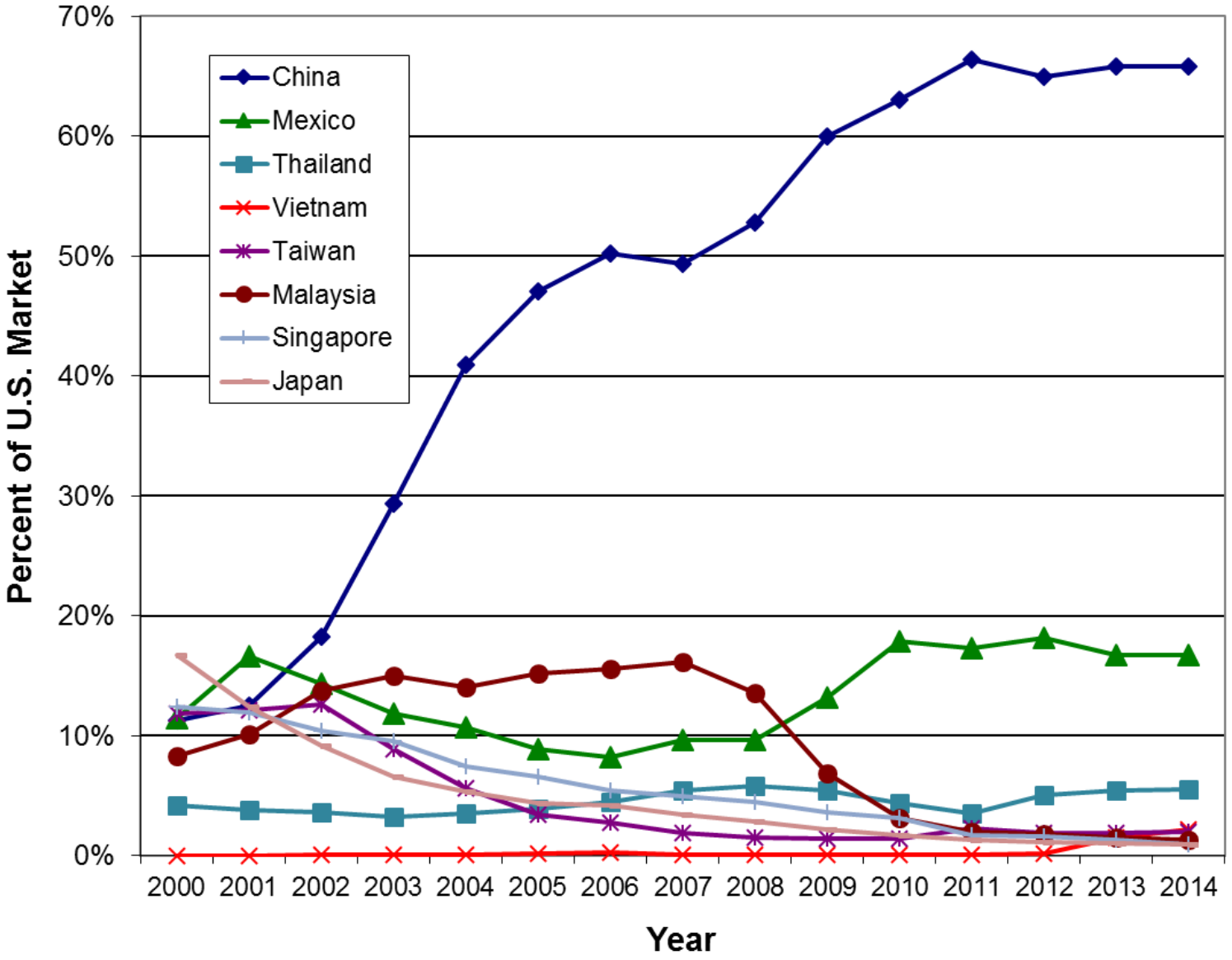
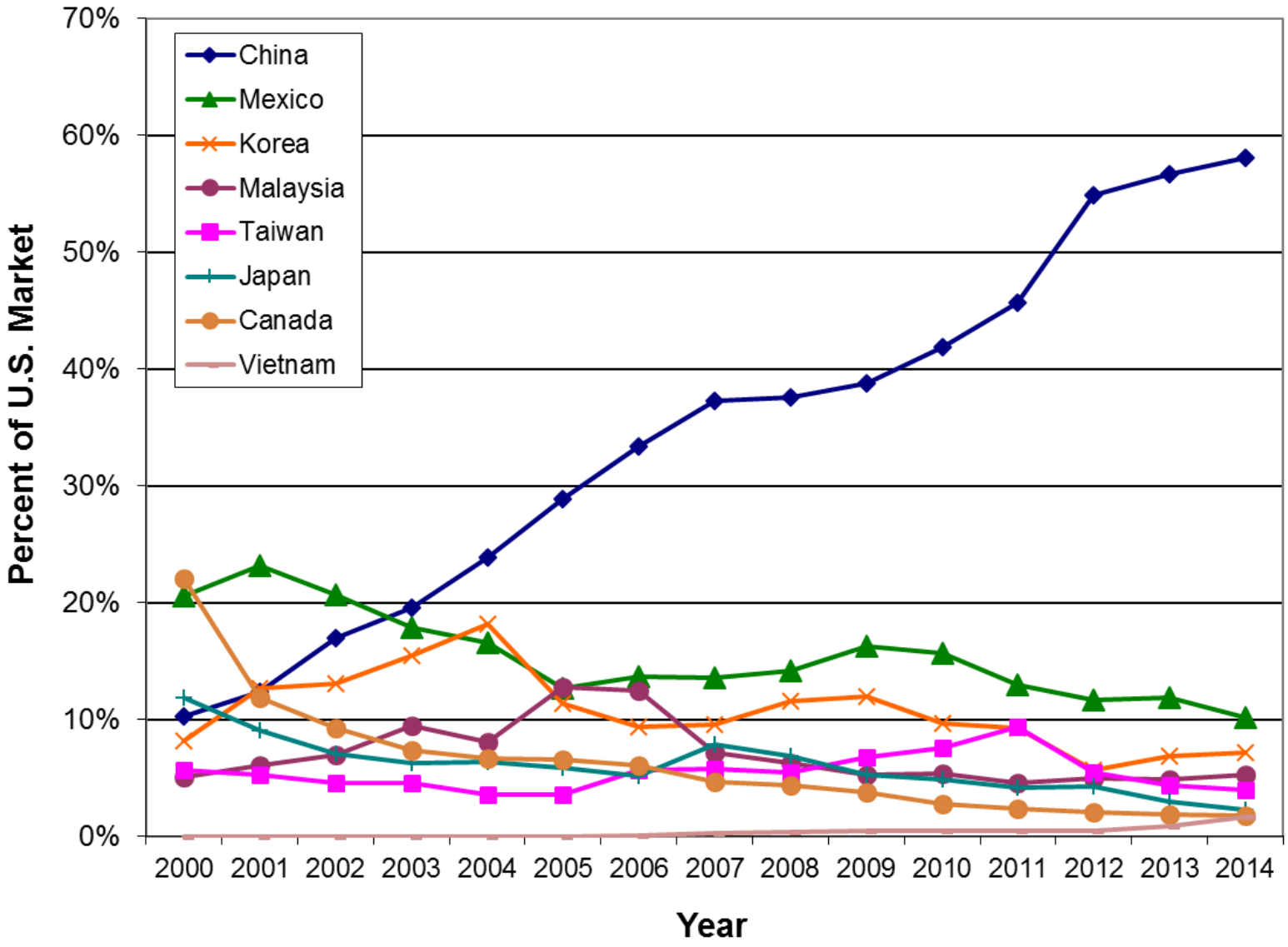
Main Competitors in the U.S. Market for Automatic Data Processing Machines (SITC 752)



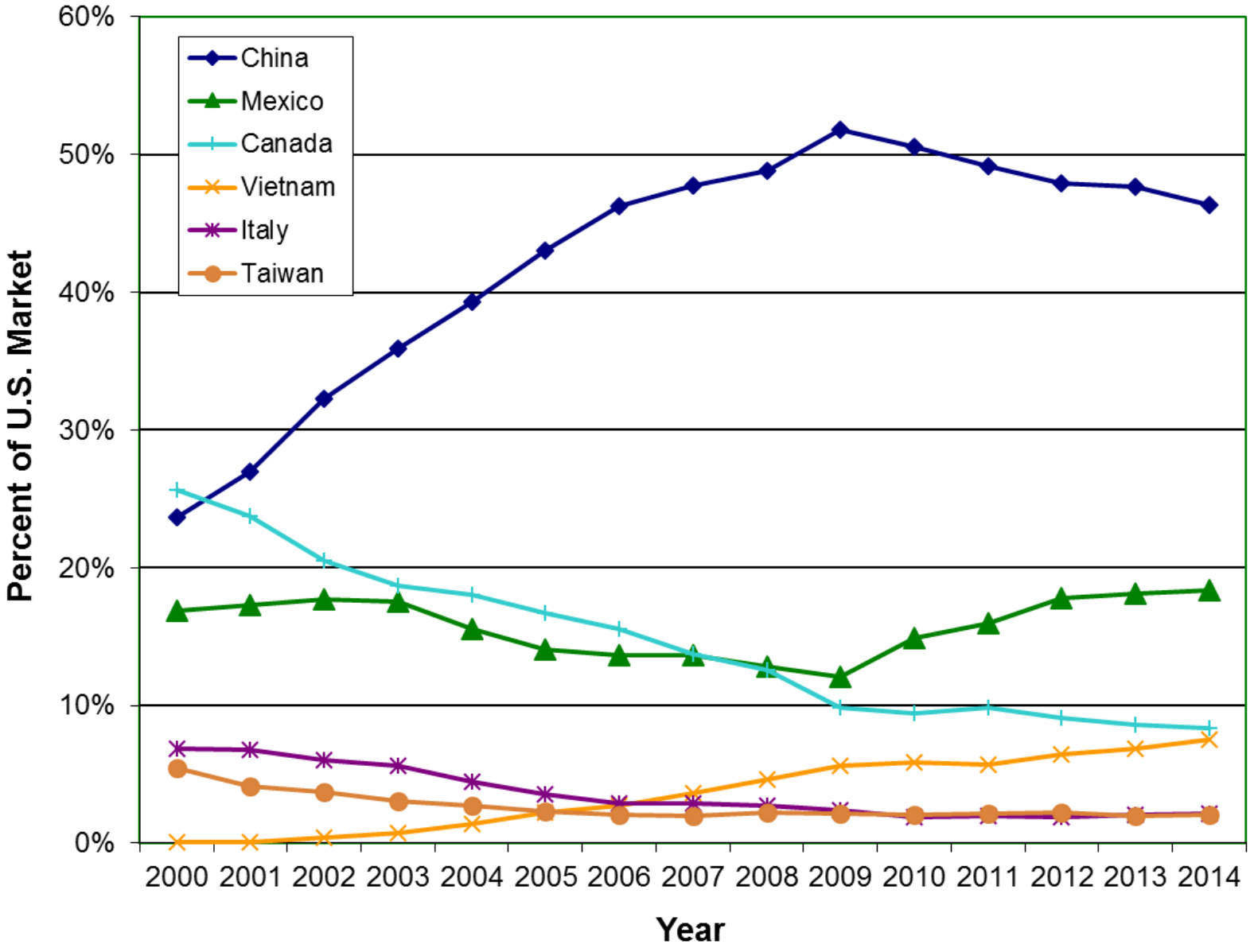
Source: USITC http://dataweb.usitc.gov downloaded Aug 26, 2015

Main Competitors in the U.S. Market for Telecom Equipment (SITC 764)



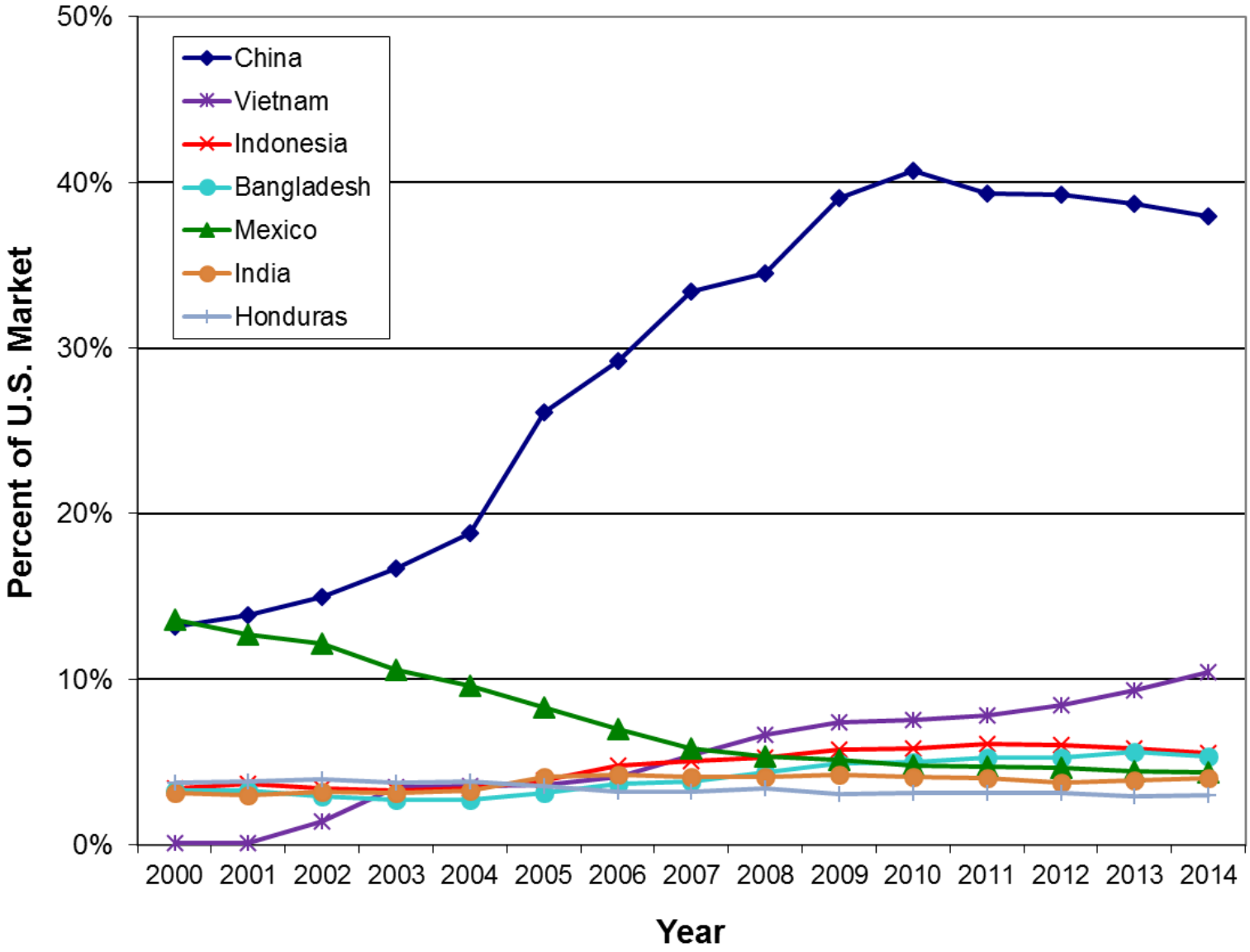
Source: USITC http://dataweb.usitc.gov downloaded Aug 26, 2015

Main Competitors in the U.S. Market for Furniture (SITC 821)



Source: USITC http://dataweb.usitc.gov downloaded Aug 26, 2015

Main Competitors in the U.S. Market for Apparel and Clothing (SITC 84)



Source: USITC http://dataweb.usitc.gov downloaded Aug 26, 2015

IMPLICATIONS OF C.R. MEDICAL DEVICES CASE FOR GVC UPGRADING AND INDUSTRIAL POLICY

- **GVC upgrading** is broader than innovation systems
  - Use high-value activities to diversify and climb GVCs
  - Move to profitable niches in GVCs (diverse "rents")
  - Downgrading outcomes are a recurrent issue in GVCs
- **GVC lead firms** were drivers of upgrading (FDI & trade to enter high-tech niches of medical devices GVC)
- **Innovation bottlenecks** require strengthening of NIS (e.g., sterilization and creation of Masters in Med Device Engineering)
- **Target MNCs** that will strengthen country's GVCs and find ways to diminish size of low-tech segments
- **Strengthen the role of domestic suppliers** and use TNCs as learning platforms
- **Explore international partnerships** to expand country's capabilities and footprint in GVCs

GVC-oriented Industrial Policies

The GVC framework suggests ways to enhance the competitiveness of local economic clusters:

- **Focus on quality and high-value activities** in order to move up global value chains
- **Target MNCs** that will strengthen country's GVCs and create dynamic local linkages
- **Strengthen the role of domestic suppliers** and use TNCs as learning platforms
- **Explore international partnerships** to expand country's capabilities and footprint in GVCs

The New Global Economy

Trends

- **GVCs** as 80% of world trade (UNCTAD, WIR 2013)
- **Concentration** of production and consumption in relatively few large emerging economies
- **Consolidation** within GVCs in fewer, larger suppliers
- More South-South trade = **shifting end markets**

Implications

- **More opportunities** for connection and upgrading in large emerging economies
- **Challenges** for small countries and firms on the periphery
- Economic upgrading ≠ Social upgrading