

The Effects of Trade Agreements: Global Value Chains, Digitization and the Trade in Tasks

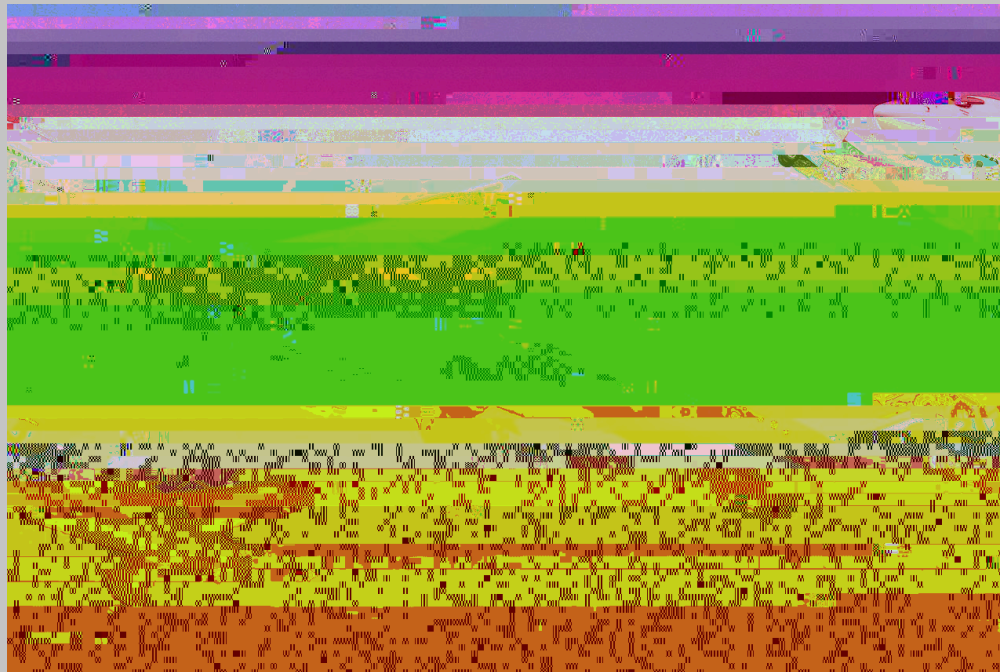
Ari Van Assche

Department of International Business

Traditional view of trade policy

- Value chains are local
 - ➔ Firms trade to reach foreign consumers
 - ➔ Mercantilist trade policy
 - » Export promotion
 - » Import protection
 - ➔ Free trade agreements are tool to exchange export promotion

Foreign components in Bombardier C Series

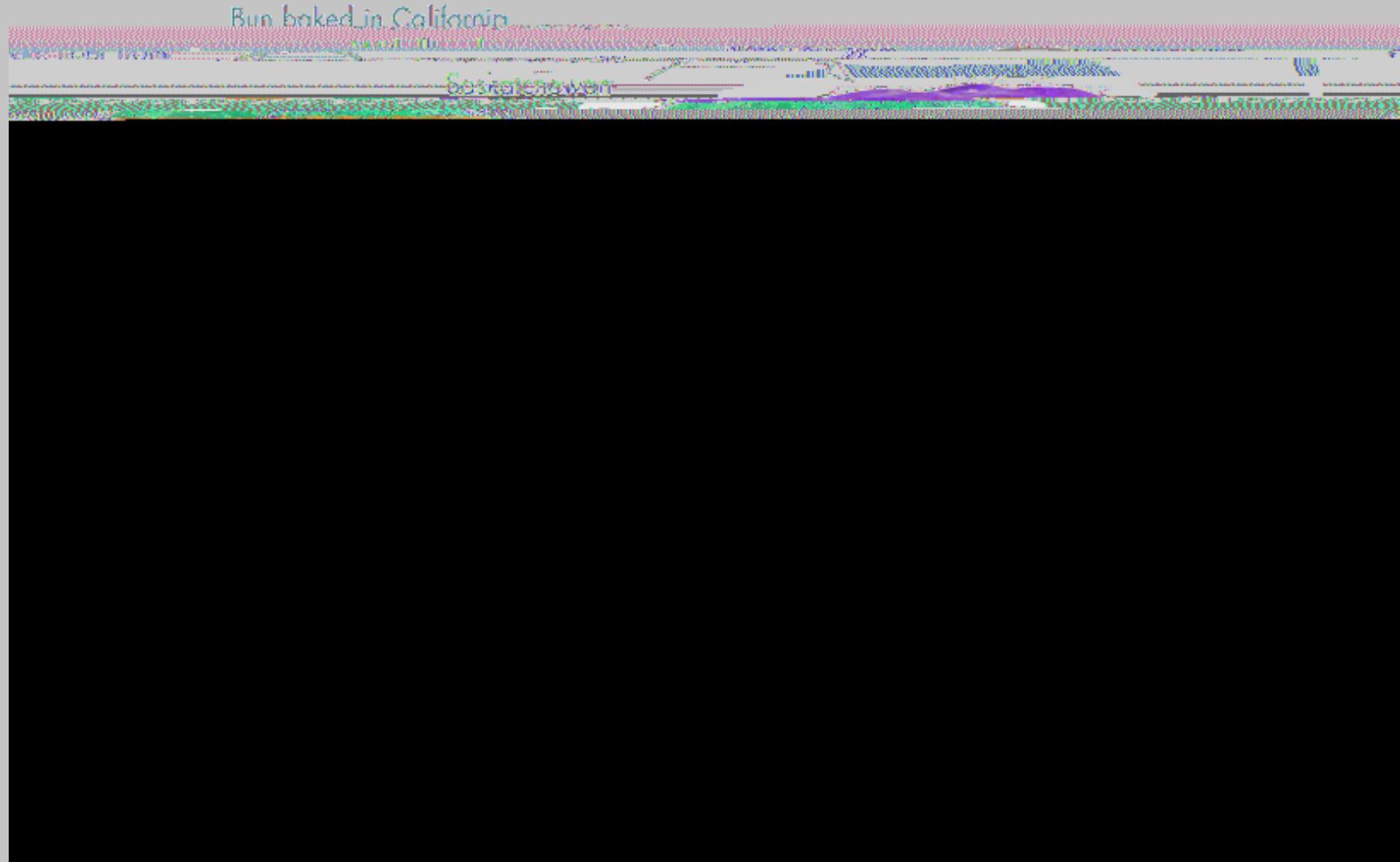


Today's Globalized Toy

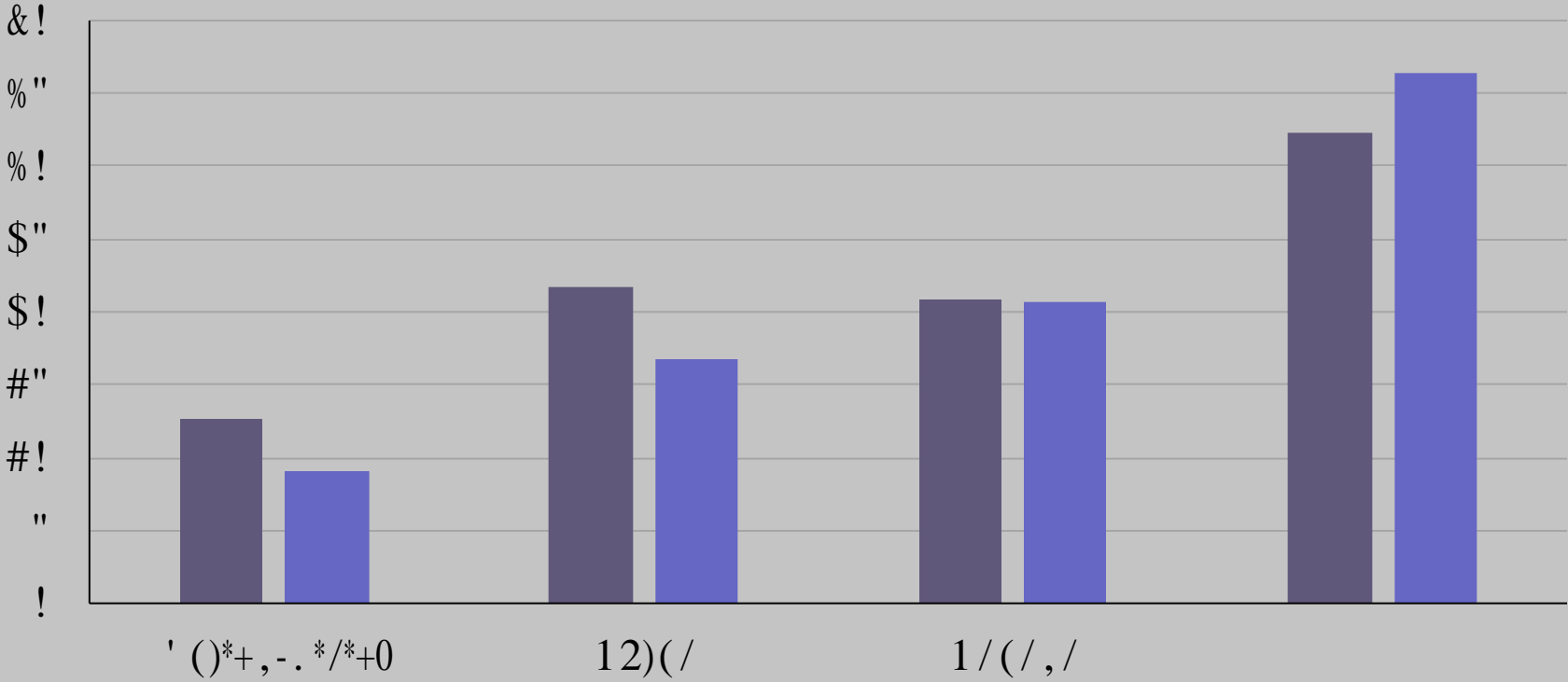
The little ferret-like robotic dog that can get up and on its feet, Bionics, was first sold in 1999. Its parts come from a list of 75,000 suppliers in the United States, made by Qualtron Industrial Co. in Northridge, Calif. Bionics was first made by Qualtron's parent, San Francisco Toyworks. It sells for \$79.95 in the U.S.



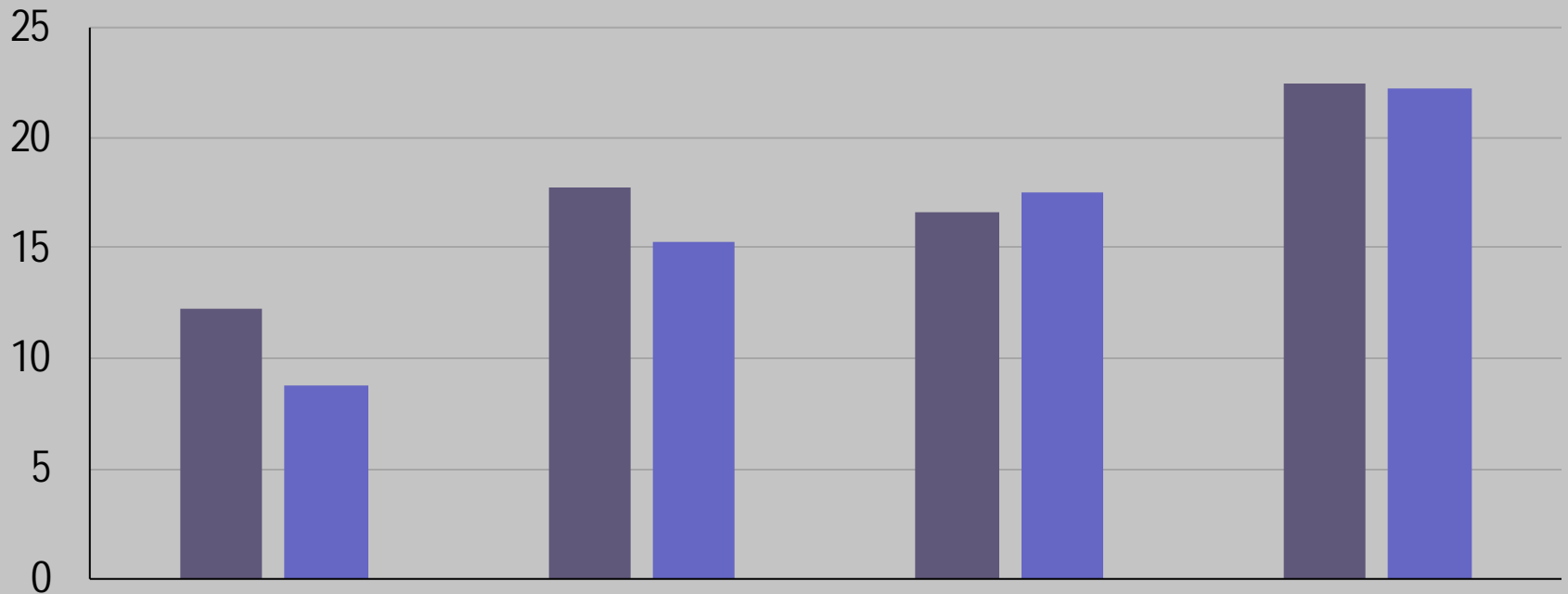
The value chain of a Burger



Foreign content share of gross exports, 2011 and 2016

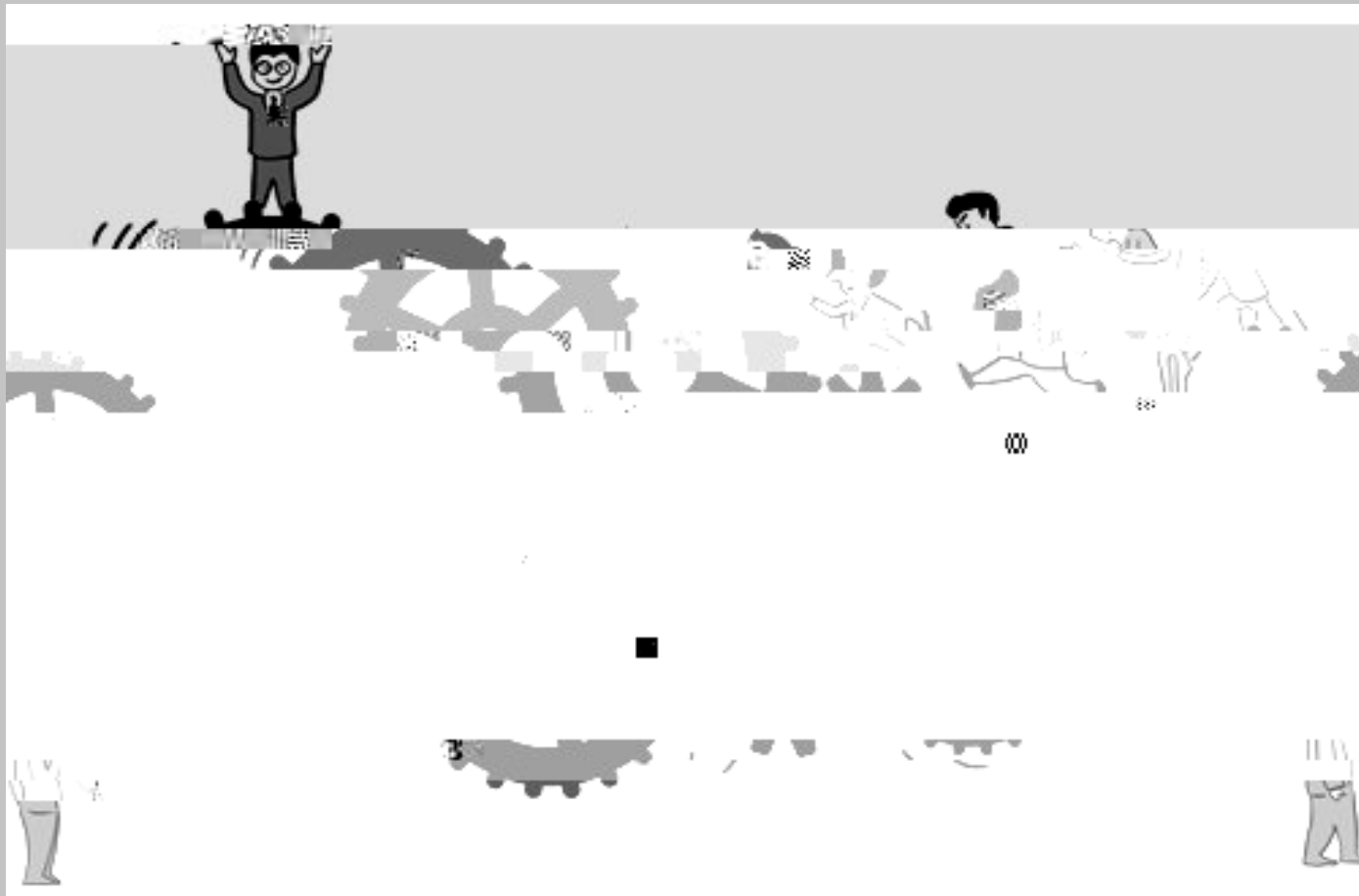


Domestic value added embodied in foreign exports as a share of gross exports, 2011 and 2015

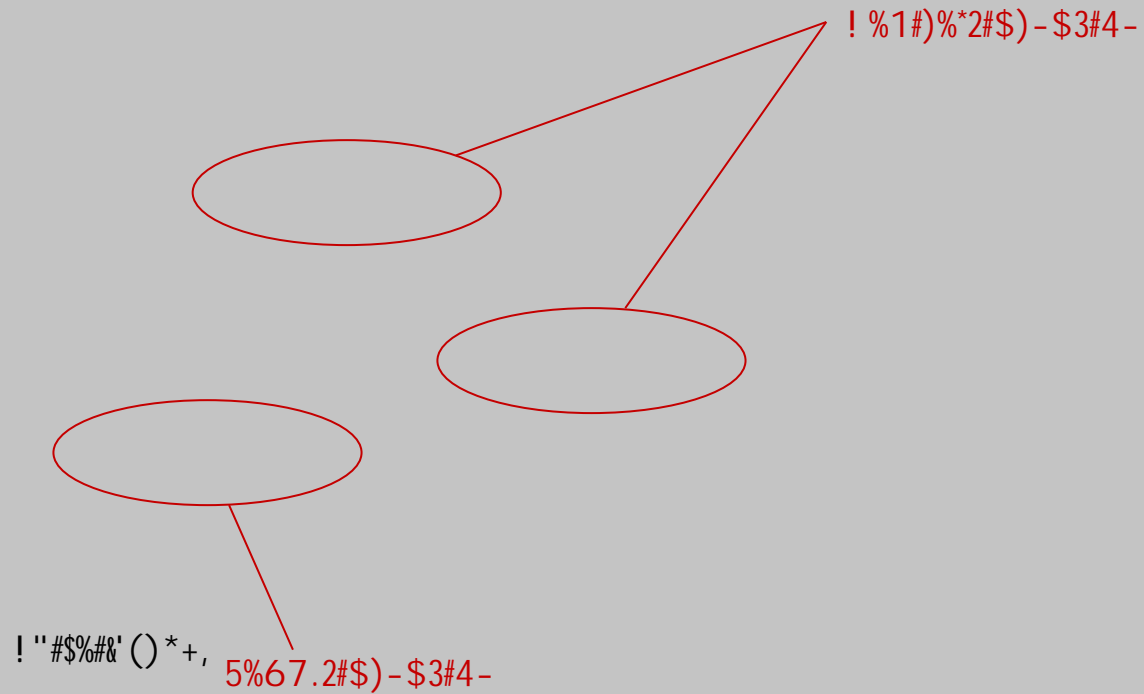


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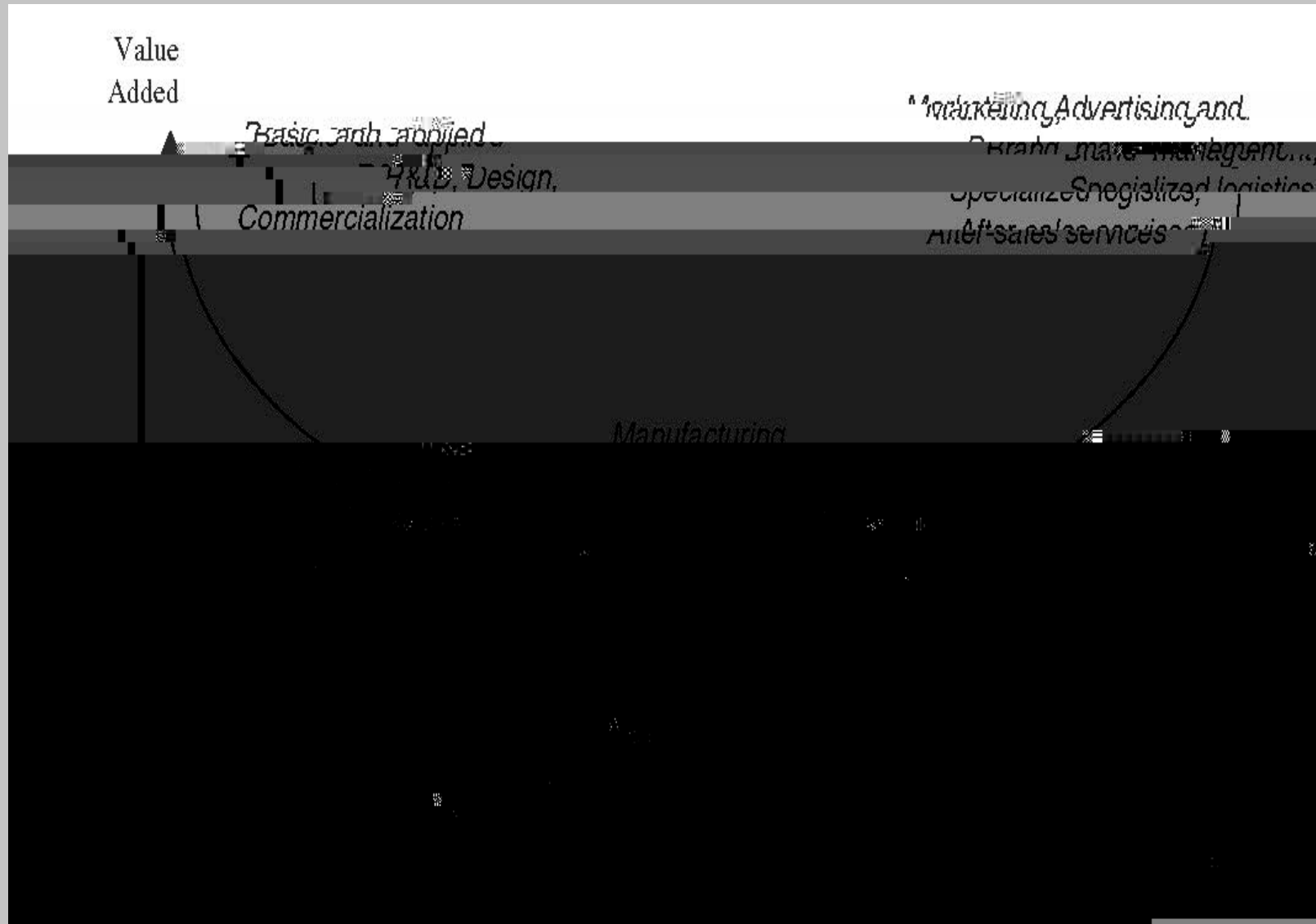
Efficiency-seeking motive



Porter's value chain



Smile of value creation



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Flexibility-seeking

Donald J. Trump, May 13, 2019

Their [sic] is no reason for the U.S. Consumer to pay the Tariffs, which take effect on China today. [...] Also, the Tariffs can be completely avoided if you by [sic] from a non-Tariffed Country, or you buy the product inside the USA (the best idea). That's Zero Tariffs. Many Tariffed companies will be leaving China for Vietnam and other such

Footwear Distributors and Retailers of America, May 20, 2019

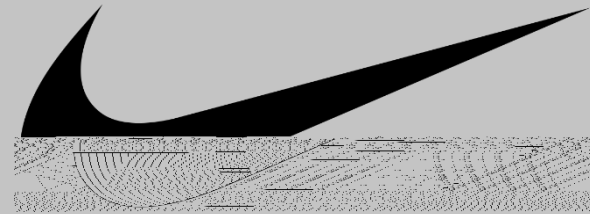
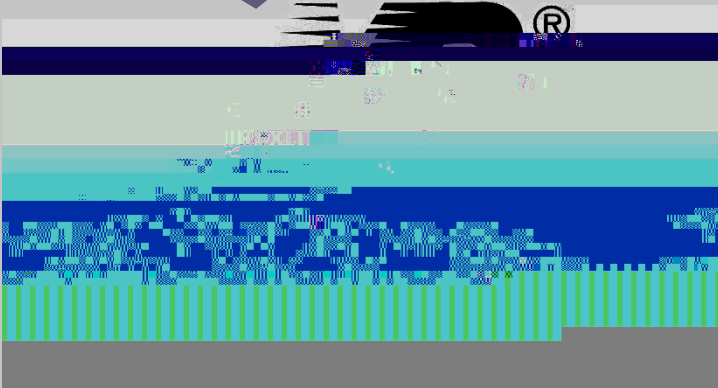
“There have been suggestions that industries should quickly shift sourcing to countries other than China in the wake of these additional tariff threats. While our industry has been moving away from China for some time now, footwear is a very capital-intensive industry, with years of planning required to make sourcing decisions, and companies cannot

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New trade policy demands

- Liberalize trade not only on the exports side, but also on the import side.

Nike versus New Balance



New trade policy demands

- Liberalize trade not only on the exports side, but also on the import side.
- Help companies identify and connect with strong global value chains.

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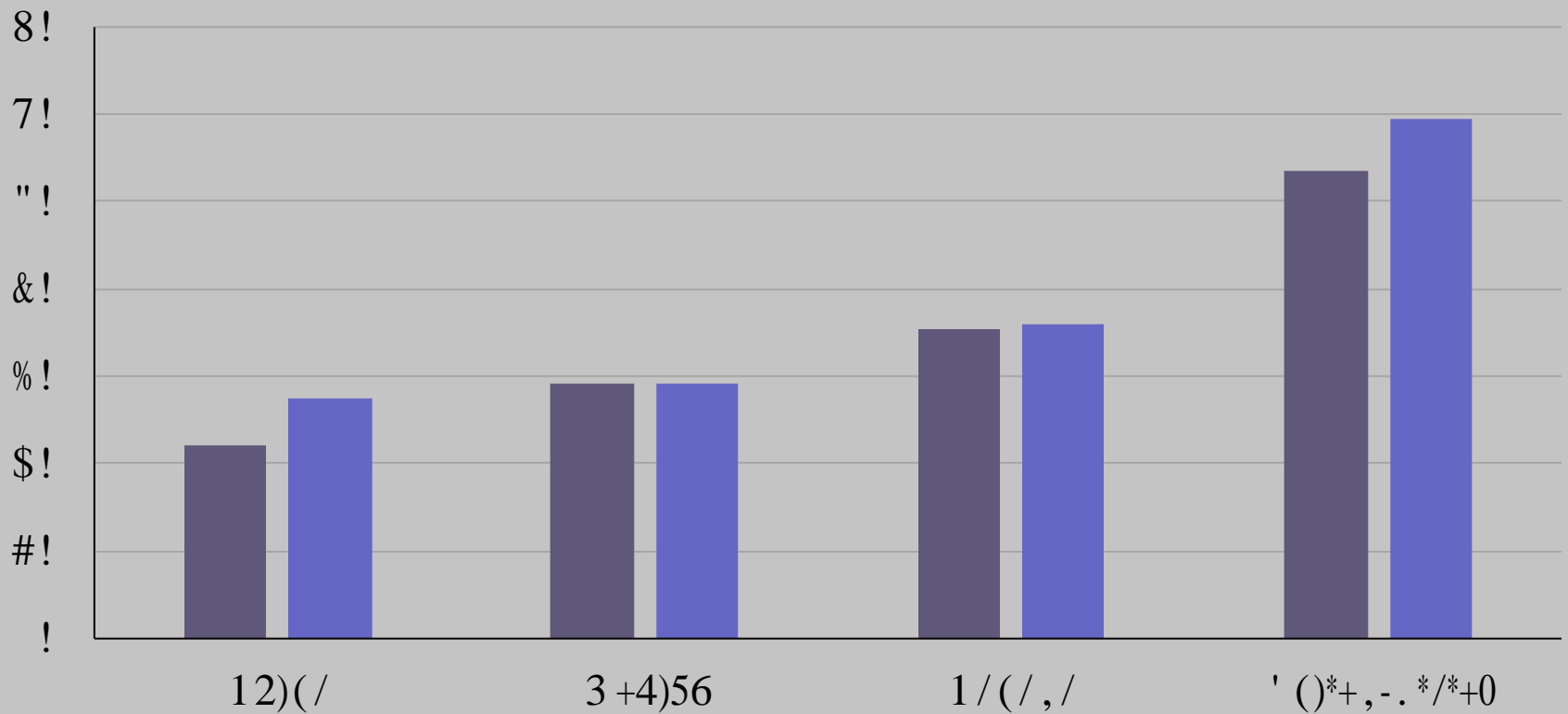
New trade policy demands

- Liberalize trade not only on the exports side, but also on the import side.
- Help companies identify and connect to strong global value chains.
- Facilitate the transmission of goods and information across borders
 - at-the border trade facilitation (e.g. WTO Trade Facilitation Agreement)
 - beyond-the-border trade facilitation (e.g. Belt Road Initiative)

New trade policy demands

- Liberalize trade not only on the exports side, but also on the import side.
- Help companies identify and connect to strong global value chains.

Domestic services share of gross exports, 2011 and 2016

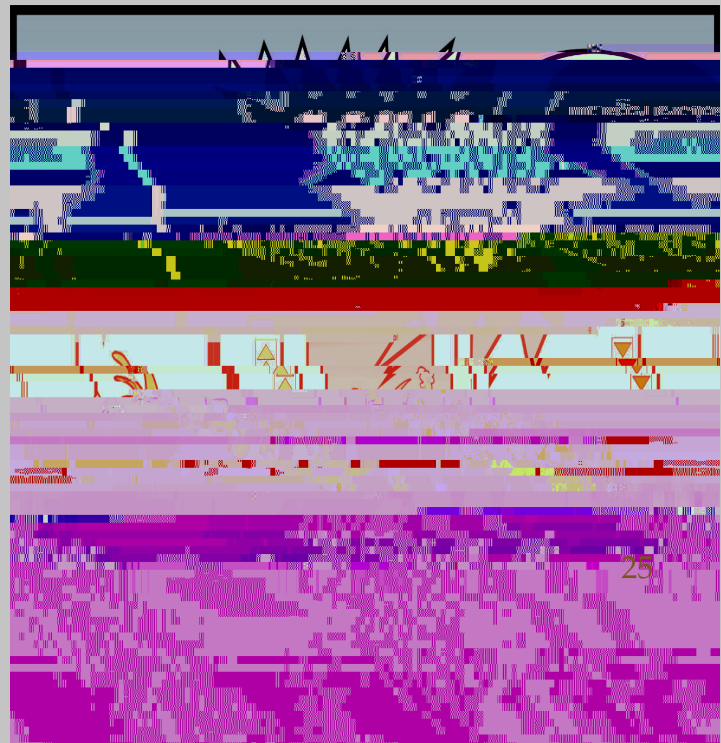


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New trade policy demands

- Liberalize trade not only on the exports side, but also on the import side.
- Help companies identify an

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Traditional view of trade policy

- Value chains are local (national production paradigm)
 - ➔ Firms trade to reach foreign consumers

Mercantilist trade policy

- » Export promotion
- » Import protection

Free trade agreements are tool to exchange export promotion