Regional Development from a (Global) Value Chain Perspective
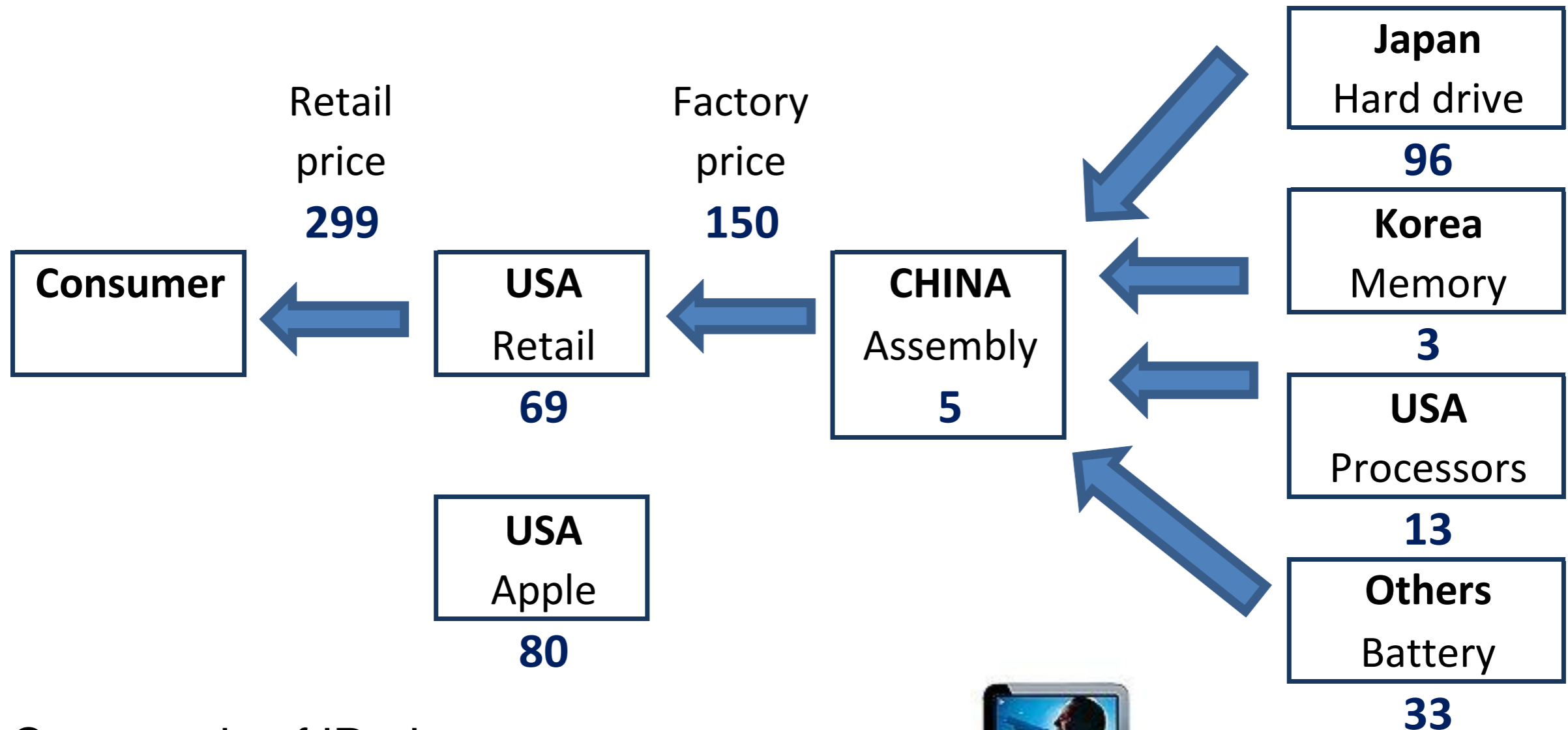
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Workshop "Economic Indicators and Monitoring and Evaluation Tools for Smart Specialisation Strategies"

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Concept of a Global Value Chain

university of groningen

Japan
Hard drive
96

Korea
Memory
3

USA
Processors
13

Others
Battery
33

CHINA
Assembly
5

Factory price
150

USA
Retail
69

Retail price
299

Consumer

USA
Apple
80

Case study of iPod:
(Dedrick et al., 2010,
Industrial and Corporate Change)

Not all Value Chains are Global

Source: Los and Temurshoev (in progress)
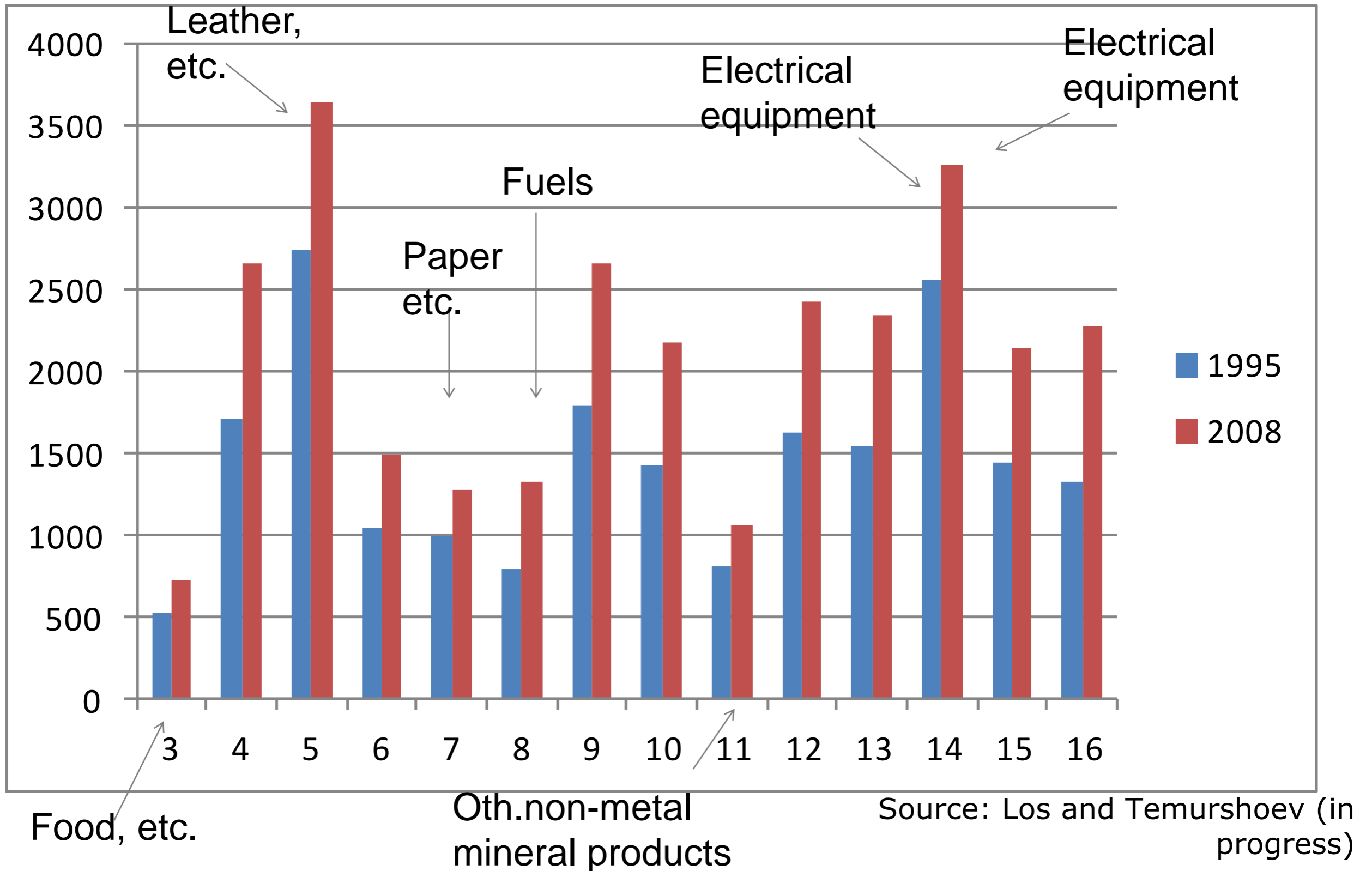
Innovation in the Northern Netherlands might change the value distribution across countries and regions

1) Growth of the Value Chains (increased sales of the consumer product)

   ▪ Los et al. (2012) find that China suffered less from the crisis as a consequence of its strong participation in Value Chains with high demand from emerging countries

2) Increased participation in Value Chains

   ▪ Humphrey and Schmitz (2001, *RegStud*) identify four types of *value chain upgrading*

a) Process upgrading (clusters increasing efficiency of existing activities)

b) Product upgrading (clusters increasing quality of products, translated in higher value)

c) Functional upgrading (clusters acquiring new functions/activities within value chains)

d) Intersectoral upgrading (clusters starting to participate in related value chains)

Opportunities for upgrading depend on governance of value chain and regional innovation system (formulation of regional strategies is needed). Note that effects of comparative advantages are magnified in a world characterized by interregional/international value chains).

1. Macro-indicators should include information about main end-user markets that are served
2. Macro-indicators should include information about main value chains to which the region contributes
3. Macro-indicators should provide information about types of activities contributed by region (characterized by e.g. skills mixes and shares in value chains)
4. Micro-indicators should provide information about governance structure of value chains
5. Micro-indicators should provide information about directions of innovative activities