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CURRENT TRENDS OF THE FORMATION OF GLOBAL VALUE CHAINS AND FACTORS INFLUENCING THEIR DEVELOPMENT

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ABSTRACT

The article provides a factor analysis of current trends in the formation of global value chains. In addition, the article identifies trends in changes in the dynamics of the share of GVCs in the world economy in sectoral and geographical terms.

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Modern global value chains were formed under the influence of technological changes on the process of fragmentation of production: in order to reduce trade costs and ensure greater efficiency of their activities, companies began to locate their production in regions with cheaper labor, a more favorable investment climate, the most attractive conditions of the tax system, etc.

Thus, most GVCs are based on cross-country differences in labor and capital costs, or comparative advantages, which have been repeatedly mentioned by the classics of economic teachings. However, the current dynamics of the rapid development of Asian countries (for example, China) determine the obvious possibility of another cross-country redistribution of the location of production, which, of course, must be taken into account when developing and implementing the state's economic policy.

In addition, it is important to understand that GVCs significantly distort statistics on international trade and production. Currently, about 60% of world trade is in primary goods and services, which are then processed differently in other countries, thereby forming global value chains that promote the division of trade, investment and production processes according to existing comparative competitive advantages along geographical lines. to the constituent components. [1] Basically, these processes are coordinated and carried out by transnational corporations (TNCs) through their branches and counterparties in different countries.

This state of affairs creates a serious problem of double counting. For example, raw materials extracted in one country can be exported through a subsidiary to a second country for processing, then to a third for use in production, and finally to a fourth country for final consumption. The cost of raw materials is counted once as a contribution to the GDP of the country of origin, but several times in global export statistics. The folding chain is shown schematically in Figure 2.

On average, in the exports of each country, the share of added value produced by other countries is 28% (in EU countries - 39%, USA - 11%, Japan - 18%, in developing countries - 25%). This means that almost 5 out of 19 trillion. dollars of world trade volume in 2010, accounts for double counting and the cost of the same raw materials at different stages of processing is recorded twice in trade statistics. The most likely volume of added value in exports is 14 trillion. dollars, that is, about a fifth of world GDP.

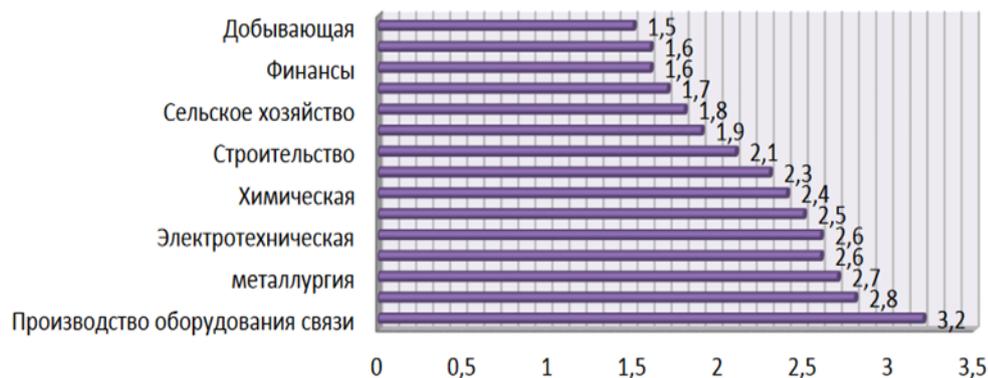


Figure 1. Length of the global economy GVC by industry in the world in 2019

To better understand the situation in the global economy, the OECD, together with the WTO, developed a model of cross-country input balances (ICIO), covering 95% of global production and allowing for a detailed analysis of GVCs and transactions between various industries and countries in 37 sectors of the global economy.

Using the developed indicators of vertical specialization (VS and VS1), reflecting the share of imported goods in the country's total exports and the share of exported goods in the exports of other countries, respectively, it is possible to assess the level of participation of the country in the GVC "as a consumer of foreign intermediate goods (upstream links, or backward integration), and as a supplier of intermediate goods and services used in third countries (downward links, or forward vertical integration)." [2]

For both developed and developing countries, their level of participation in GVCs depends on the size of the country: the smaller the country, the more intermediate goods from foreign sources and value chains it receives, and the higher its level of participation in GVCs. To assess the extent of the GCDS (showing the real number of production stages), a special index is used, calculated on the basis of input-output balances. The lower its indicator, the fewer intermediate goods and services are used to produce the final product, which is clearly reflected in Figure 2.

In the global economy, there was an upward trend in this indicator of the average length of GVCs in the period from 1995 (1.74) to the financial crisis of 2008 (1.86). [3]

In addition to the length index, economists also analyze the "distance to final demand" indicator, which shows how many production stages a product must go through on its way to the final consumer. The higher its value, the greater the country's concentration on the production of intermediate goods. Accordingly, for developed countries this indicator tends to one.

Thus, the share of value added in each country's exports indicates the dependence of its industry and exports on imports and shows what place this country occupies in the GVC. At the same time, protectionist policies have a negative impact on the country's integration into the GVC, while measures to attract foreign investment, on the contrary, have a positive impact. Greater involvement of a country in GVCs ensures a greater growth rate of its economy, and the analysis of these chains is important for building a country's trade policy,

developing measures to increase national competitiveness and ensuring even distribution of income.

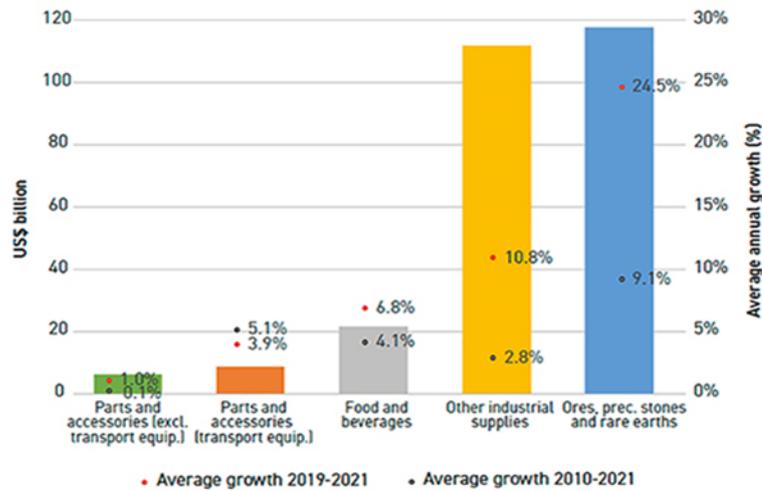


Figure 2. Dynamics of changes in the share of participation in global value chains by industry from 2019 to 2021 [4]

But the dynamics of the development of countries' participation in GVCs in recent years has been quite rapid, despite all the damage caused to the global economy by the coronavirus pandemic. The data in Figures 1 and 2 indicate positive changes in the development of regional value chains over the past few years, both across countries and across industries.

Changes in global production structure are consistent with three factors. The first is the rising wave of defensiveness around the global economy in the wake of the global financial crisis. Second is the replacement of domestically produced intermediate inputs with imported intermediate inputs in major developing and emerging economies such as China. Third and finally, there are technological innovations and reorientations that have deepened the internal division of labor in large developed economies such as Japan and the United States. However, are such changes temporary or permanent? Can this be determined now, or do economists need new data to do this?

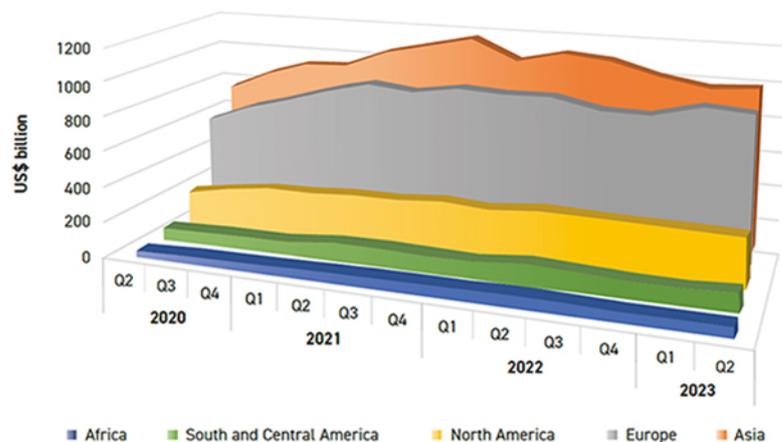


Figure 3. Dynamics of changes in participation in global value chains by geography from 2020 to 2023 [5]

An analysis of factors influencing the effectiveness of a country's participation in GVCs and current trends in the development of global chains, carried out on the basis of scientific publications and reports of international organizations, allows us to identify several areas and tools for the effective use of participation in GVCs to accelerate the economic development of the country. However, the limited availability of statistical data on the current state of participation of many companies in GVCs does not allow us to specify proposals and tools, but to limit ourselves to only listing universal organizational, infrastructural and institutional measures that should be reflected in government policy documents and economic development strategies.

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