

THE POWER OF INTERNATIONAL VALUE CHAINS IN THE GLOBAL SOUTH



International
Trade
Centre

In partnership with



RIS
Research and Information System
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

The power of
international value chains
in the Global South

About the paper

Firms could build competitiveness and grow by engaging in South-South value chains and producing higher value-added goods, according to a survey of more than 550 East African companies. The North offers opportunities for international engagement and higher sales, but connecting to the South helps firms move up the value chain and allows knowledge transfer.

This report shows major trends that have propelled the South, including the recent proliferation of regional trade agreements and increasing trade in technology-intensive products. Decision makers should increasingly support regional cooperation to boost South-South trade and investment alongside South-North initiatives.

Publishers: International Trade Centre, Research and Information System for Developing Countries (RIS)

Title: The power of international value chains in the Global South

Publication date and place: Geneva, March 2019

Page count: 38

Language: English

ITC Document Number: OAP-19-89.E

Citation

Mohanty, S. K., Franssen, L., Saha, S. (2019). The Power of International Value Chains in the Global South. International Trade Centre, Geneva, Switzerland.

For more information, contact: Vandana Prakash Nair at vprakash@intracen.org

For more information on Supporting Indian Trade and Investment for India, see <http://www.intracen.org/sita-at-a-glance/>

For more information on Research and Information System for Developing Countries, see <http://www.ris.org.in/>

ITC encourages the reprinting and translation of its publications to achieve wider dissemination. Short extracts of this paper may be freely reproduced, with due acknowledgement of the source. Permission should be requested for more extensive reproduction or translation. A copy of the reprinted or translated material should be sent to ITC.

Digital image on the cover: ©Shutterstock

© International Trade Centre (ITC)

ITC is the joint agency of the World Trade Organization and the United Nations.

Foreword by ITC

Forty years have passed since the adoption of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries. This year, the international community will once again gather in Buenos Aires to renew the foundations of South-South cooperation at the Second High-level United Nations conference (BAPA+40).

Much has been achieved since 1978. South-South cooperation is now seen as crucial to achieving the Sustainable Development Goals. Great strides are being made, particularly in the area of trade and investment where South-South trade and investment is increasing and contributing significantly to global growth and development. Yet, disparities in economic growth persist among Southern countries.

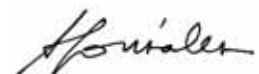
Much more could be achieved if the value of South-South trade and investment cooperation were better understood, replicated and harnessed. This is why the International Trade Centre (ITC) continues to work to build trade and investment linkages across the Global South, including through addressing information and perception asymmetries and by piloting scalable projects and interventions on the ground.

ITC's experience supports the data and analysis in this report: South-South value chains afford firms more opportunities to move up the value chain than North-South value chains. This can be seen with East African businesses which capture 10% more value when they work in South-South value chains, thereby increasing their bargaining power and improving competitiveness. As a result, firms in South-South value chains hire more skilled workers. They also create more high-skilled jobs than firms exporting to the North.

Technology transfer highlights the benefits of South-South trade and investment. By means of 'frugal innovation', countries in the South have invented adaptable and affordable technologies appropriate to the needs of other developing countries in the South. This system of replicability is important.

Drawing on macroeconomic data and surveys of more than 550 East African companies, this report provides analysis to help policymakers, institutions and industry foster South-South cooperation and promote South-South trade and investment initiatives.

2030 is fast approaching. Improving trade and investment flows responsibly, underpinned by inclusiveness, is one important instrument for us to achieve these goals and bequeath a better world to humanity.



Arancha González
Executive Director
International Trade Centre (ITC)

Foreword by RIS

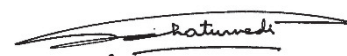
The 'rise' of the South may be seen as a coherent phenomenon with high growth fundamentals demonstrated by dynamic economies across all constituencies of the South. This defines the scope of Southern 'collectivism' as a narrative as we define the roadmap from BAPA+40. It is very evident that trade has acted as an engine of growth for the Global South, leading to its phenomenal rise. The South's increasing share in global gross domestic product and world trade is largely attributable to the impact of regionalism in deepening international value chains in the South and opportunities to move up the value chain as reflected in the rising technology intensity of South-South trade. This joint report on 'The power of international value chains in the Global South' presents convincing empirical evidence in this regard.

It brings out that there was more than a four-fold increase in the economy of the South in 2000–2016, compared with the two-fold increase in the world economy. The total gross domestic product of the South increased from \$7.6 trillion in 2000 to \$30.9 trillion in 2016, implying that the South's share in world income rose from 28% to 40.6% in real terms. Gross savings in the South increased to \$9.7 trillion in 2016 (from a low base of \$1.9 trillion in 2000), compared to \$9.1 trillion in the North.

With the proliferation of regionalism, there has been a boom in regional trading agreements in the South, which has in turn spurred South-South trade. These trends are also supported by the fact that South-South trade is picking up in technology-intensive products. Production and trade in parts and components have particularly empowered a large spectrum of countries in the South, suggesting growing integration with international value chains.

Therefore, understanding the economic foundations of the rise of the South and the mutual interdependence ushered in by trade, capital, resource and knowledge flows is of paramount importance to strengthen the momentum and create policy space for South-South cooperation. This has enormous implications for the South to leverage its 'rise' and drive institutional efforts globally.

I congratulate my colleagues Professor S.K. Mohanty and Dr. Sabyasachi Saha for their painstaking efforts in contributing to this report. I am also grateful to the International Trade Centre for partnering with us for this study, and particularly thank my colleague and friend Govind Venuprasad for his ideas and support in this initiative. I am sure that this publication will be found useful by the international community of scholars and policymakers closely working on the agenda of BAPA+40 and on various dimensions of South-South cooperation.



Professor Sachin Chaturvedi
Director General
Research and Information System for Developing Countries (RIS)

Acknowledgements

The International Trade Centre (ITC) expresses its appreciation to its partner, Research and Information System for Developing Countries (RIS) for its effort in jointly developing this publication. We would like to especially acknowledge Professor Sachin Chaturvedi, Director General, RIS, for his continued support.

Professor S.K. Mohanty and Govind Venuprasad of ITC led the conceptualization of this publication. Professor S.K. Mohanty, Dr. Sabayasachi Saha, and Dr. Loe Franssen wrote this report. Vandana Prakash Nair provided research and coordination support.

We thank our collaborators from industry, trade and investment support institutions including Ray Agong Bruno (Uganda Oilseeds Producers and Processors Association), B. Lakshminarayana (Southern Indian Mills Association - Cotton Development Research Association), Dr. B. V. Mehta (Solvent Extractors Association of India), and Pradeep Ghorpade (formerly of Indian Pulses and Grains Association) for clarifying value chain dynamics in their respective sectors.

Special thanks go to the ITC publications team, Natalie Domeisen and Evelyn Seltier, for editorial guidance, production management and quality control. Jennifer Freedman edited the report. Valentina Rollo and Sarah Mohan from the ITC Division of Market Development, Chief Economist and Export Strategy, and Professor Rodolphe Desbordes of SKEMA Business School peer reviewed this report in the midst of their busy schedules which is thankfully acknowledged.

The financial contribution of the United Kingdom Department for International Development through funding for South-South trade and investment and triangular cooperation projects has been invaluable and is gratefully acknowledged.

Kristina Golubic provided graphical support for the cover. Serge Adeagbo and Franco Iacovino provided digital printing (all ITC).

Contents

Foreword by ITC	iii
Foreword by RIS	iv
Acknowledgements	v
Acronyms	viii
Executive summary	ix
CHAPTER 1 RESURGENCE OF THE GLOBAL SOUTH	1
The South is growing: Overcoming economic shocks	1
Catching up with the Global North	3
Strong macroeconomic foundations support the rise of the South	4
Trade is a major growth engine	5
International value chains provide new opportunities	5
Technology-intensive trade: A driver of South-South trade	6
South-South: Dynamic performances in agriculture and manufacturing	6
Intraregional commerce: Trade intensifies in medium- and high-technology goods	7
Regional trade unlocks more opportunities in South-South trade	7
Dynamism in technology-intensive trade in regional trade agreements	7
Regional trade agreement in the South reinforce international value chains	8
CHAPTER 2 WHY SOUTH-SOUTH CHAINS ARE VALUABLE	10
Strategies for entering international value chains	10
It all starts with specializing in specific tasks	11
Attracting foreign investors	12
Importing: The main means of entering international value chains	12
Indirect exporting: A stepping stone for small businesses and women-owned firms	13
The value of South-South trade	13
The Global South is a major source of raw materials and equipment	13
Southern and Northern export markets are equally popular	13
South-South value chains: Easier for first-time engagement	14
Firms' bargaining power affects international value chain participation	16
Firms extract on average 25% of a chain's value added, which can rise via international trade	16
...And in tasks of higher value added than enterprises in South-North value chains	19
North-South and South-South value chains: Quantity versus worker skills	20
CHAPTER 3 POLICY RECOMMENDATIONS	23
Appendix I: Enterprise survey data collection	24
Appendix II: Mapping and valuating value chains	25
References	26

Tables

Table 1: The Global South: A key source of raw materials and equipment for East African firms	13
Table 2: An overview of value-added shares in the cotton, textile and apparel value chain.....	25
Table 3: An overview of value-added shares in the sunflower oil value chain.....	25
Table 4: An overview of value-added shares in the pulses value chain.....	25

Figures

Figure 1: The South's growth performance: Rapidly catching up with the North (2001–2016).....	1
Figure 2: Diminishing trade asymmetry between South and North: Share in the world (2002–2016)	2
Figure 3: Surging South: Growing share in gross world product (2000–2016)	4
Figure 4: The South's rising share in savings and investment (2000–2016).....	5
Figure 5: Converging North-South gap in global value chain trade (2000–2015).....	8
Figure 6: South's share of intraregional trade in international value chain trade is rising	9
Figure 7: Distinct tasks within a value chain	11
Figure 8: Specialization in a select number of tasks	12
Figure 9: Ethiopia has the most diversified export destinations, Kenya is deeply engaged in regional trade	14
Figure 10: Southern value chains and global standards: Less awareness, understanding and compliance.....	15
Figure 11: International firms add more value than national enterprises	16
Figure 12: Mapping of the cotton, textile and apparel value chain, and value-added shares at different stages	17
Figure 13: Mapping of East African sunflower value chain.....	18
Figure 14: Mapping of East African pulse value chain	18
Figure 15: Firms exporting to the South carry out 1.2 more tasks than firms exporting to the North.....	19
Figure 16: Southern value chains add more value than domestic or Northern value chains.....	19

Boxes

Box 1: Growth beyond regional differences	3
Box 2: Spicy knowledge spillovers	15
Box 3: International value chains implemented	17
Box 4: South and North meet in Lesotho's apparel sector	21

Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
FDI	Foreign direct investment
GDP	Gross domestic product
Global North	Industrialized economies
Global South	Least developed countries, transition economies and developing economies
ITC	International Trade Centre
LDC	Least developed country
Mercosur	Common Market of the South
RCEP	Regional Comprehensive Economic Partnership
RTA	Regional trade agreement
SADC	Southern African Development Community
SITA	Supporting Indian Trade and Investment for Africa
SME	Small and medium-sized enterprise
UNDP	United Nations Development Programme

Executive summary

The ‘Global South’ has made significant economic progress since the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries was adopted in 1978. Stronger international value chains in the Global South, defined as least developed countries, transition economies and developing economies,¹ have contributed to the South’s rapid development.

The Global South now offers opportunities that complement, but do not replace, those offered by the North. The development implications are clear: firms no longer have to rely solely on North-South value chains, but can take advantage of burgeoning opportunities in South-South value chains to build competitiveness and achieve their growth objectives.

Trade has been a driver of the remarkable growth enjoyed by the South since the turn of the twenty-first century. The Global South is catching up with the North in terms of gross domestic product and trade values. The recent proliferation of regional trade agreements has been a major boon for the South, supported by strengthening macroeconomic fundamentals such as savings and investment. In particular, production and trade in parts and components have empowered many countries in the South. Trade in technology-intensive goods has grown alongside robust performances of the agriculture and manufacturing sectors.

The power of South-South value chains is evident from data collected by the International Trade Centre project Supporting Indian Trade and Investment for Africa. This detailed firm-level dataset provides insight into how enterprises in the South enter and participate in international value chains.

In the Global South, firms enter international value chains by specializing in very specific tasks, foreign investment, indirect exporting and sourcing raw materials and equipment from abroad. The South is a major source for these imports, as up to 91% of the imports originate from the South, the data show.

By examining the number and type of tasks that more than 550 East African companies carry out in global value chains, this report shows that Southern processing firms capture an average of 25% of a chain’s total value added – that is, the final sales price of a product. This share can increase if a company manages to do more tasks within a value chain or tasks of greater value addition. Firms can move up the value chain through internationalization, because those that import and export extract as much as 35% of a chain’s total value added.

This report also highlights the complementary opportunities of connecting to both the Global North, which comprises industrialized economies, and the Global South. While the North provides many opportunities to access international markets and boost sales, employment and technology spillovers, the Global South offers more opportunities for firms to move up the value chain into activities of higher value added.

The report finds that Southern enterprises that export to the Global South engage in more tasks, and in tasks of higher value added, than those exporting to the Global North. On average, firms that are active in South-South value chains capture 10% of the chain’s value added, or final retail price. This can partly be explained by the fact that the effect of specialization is smaller in South-South value chains.

Moreover, by engaging in more tasks and tasks of greater value added, South-South value chains allow developing countries to become more competitive and to increase their bargaining power in global value chains. As such, South-South value chains can be a stepping stone for businesses to participate competitively in international value chains. Firms will have more bargaining power and will be able to benefit from technology that is more akin to their own, allowing for knowledge transfer.

Increasingly, trade and development policy in the South is pursued with the objective of promoting international value chains for economic growth, regional development and employment creation. Emphasis has been on promoting foreign direct investment and leveraging domestic and new markets in the South. There is also a strong focus on moving up the value chain and including small and medium-sized enterprises in the process. A multipronged approach on competitiveness building, South-South trade and investment

¹ These classifications are based on the World Economic Situation and Prospects from the United Nations (2018).

flows, capacity building and trade facilitation is necessary for the development of the South, and should be supported by appropriate regulatory frameworks.

Decision makers can assist this process by focusing on the following strategies to foster South-South trade and investment:

- Develop policies targeting complementary opportunities available in the Global North and the Global South.
- Develop policies promoting export-oriented growth in the South.
- Trade policy should focus on encouraging two-way trade with the North in both primary and technology-intensive products.
- Enhance regional cooperation in the South to support greater South-South trade.
- Promote investment in both low-technology and medium- or high-technology products for easier integration into international value chains.
- Pursue both bilateral and multilateral South-South trading arrangements.
- Understand that international engagement happens via specialized tasks. Policy should aim to help firms competitively execute those tasks internationally.
- Facilitate imports, recognizing that this is an important way for firms to enter global value chains.
- Promoting inward foreign direct investment can be a useful vehicle for companies to connect to international markets.
- Negotiations on trade should be held under equal stakeholder partnerships on all issues concerning trade, resource flows, arbitration and regulations, considering the strong growth and trade performances of several countries in the South, and cutting across development stages and groups.

CHAPTER 1 RESURGENCE OF THE GLOBAL SOUTH

The resurgence of the South in the last four decades has been unprecedented in the development history of the world economy. The process of the South ‘catching up’ with the North began in the 1950s with its move into industrialization, which accelerated in subsequent decades. However, the intermittent reoccurrence of external shocks adversely affected the South’s growth. Even so, Southern countries have become resilient, building their own resource base to maintain sustained long-term growth.

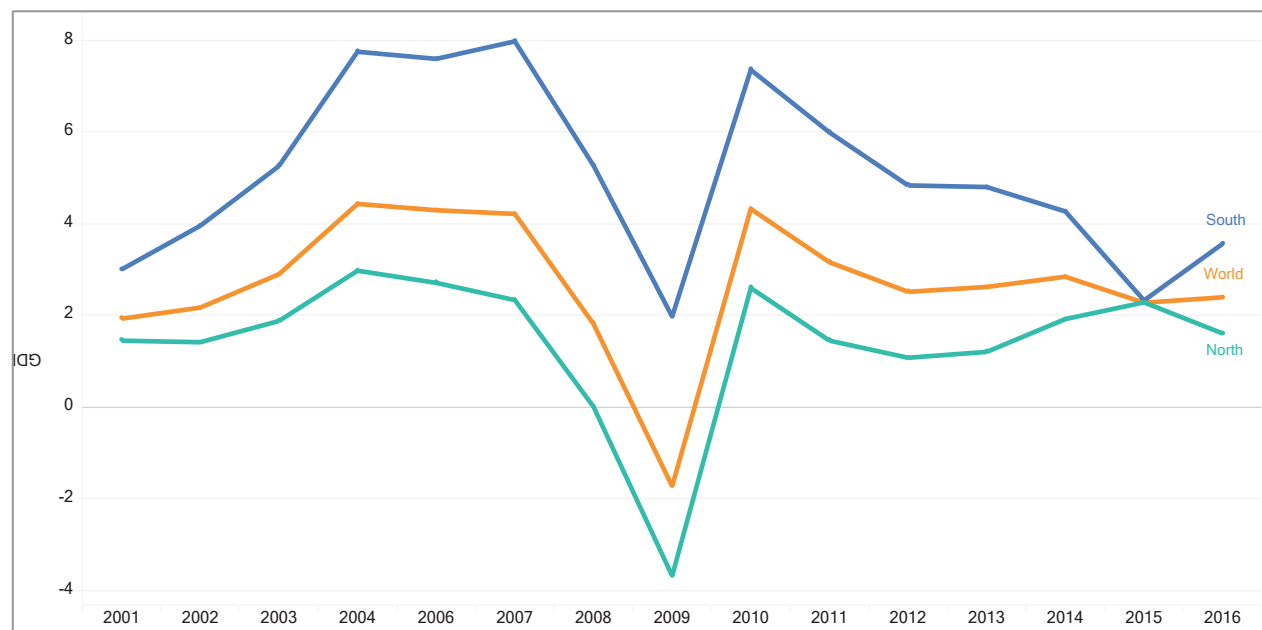
In 2002–2017, the world economy went through three distinct phases: buoyancy (2002–2007), the first phase of recession (2008–2013) and the second phase of recession (2014–2017). The Global South consists of four main groups: emerging economies, transitional economies, least developed countries (LDCs) and others. Although each group had different growth rates during the three phases, as a whole, the South is catching up with the North.

The South is growing: Overcoming economic shocks

The growth of the South and of the world economy was not smooth in 2002–2017. During the buoyancy period, real income in the South expanded more (7.5%) than in the world economy (4.5%). The pace of this rise slowed significantly with the onset of global recession, but the South still grew at a faster pace than the world economy in this period.

In the second phase of economic recession, the effects of which were particularly felt in the North, the rapidly growing Southern economies contributed to economic stability through increased trade linkages.¹ Although the South outperformed the North, the recession restrained the growth in the Global South between 2008 and 2016 (Figure 1).

Figure 1: The South’s growth performance: Rapidly catching up with the North (2001–2016)



Note: Annual growth rates are estimated after aggregating gross domestic product (in constant prices) of all countries, covered under world, South and North. Data are obtained for 255 countries (world), 33 countries (North) and 205 countries (South). The South includes emerging (20), LDCs (49) and other developing (136). The remaining comprise the transitional economies (17).

Source: Calculation by authors based on World Development Indicators, World Bank, 2019.

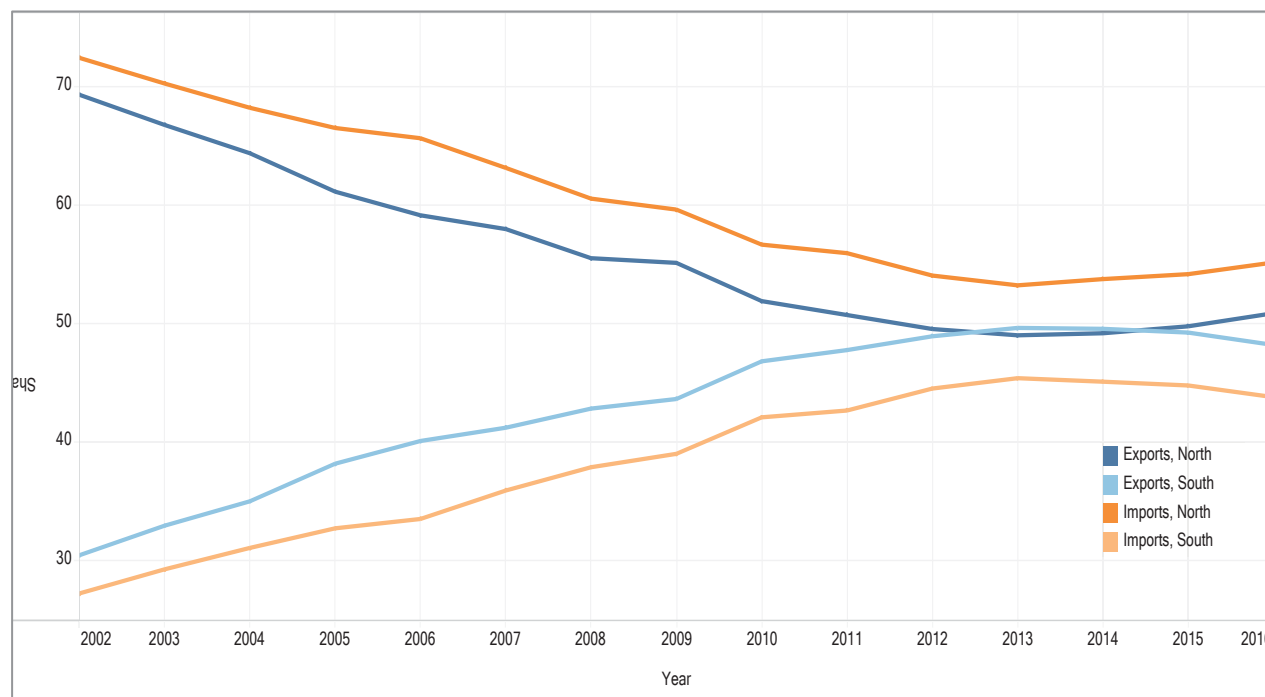
In both the buoyancy and the recession periods, exports from LDCs grew faster than those from emerging economies, with a similar contribution from other developing countries and, to some extent, the transitional economies, despite fluctuations. During buoyancy, import demand was stronger in the South than in the North. Indeed, the South contributed greatly to global recovery during the first phase of the recession, by virtue of its stronger import demand and export performance. Southern exports grew significantly more than Northern exports during this phase.

The buoyancy period provides by far the strongest evidence of the emergence of the South. The South was clearly driving world export growth at 25% in this period, while world exports rose 17.7% and exports from the North increased 13.6% (year-on-year average). This was possible because export growth was high across all four groups in the Global South (i.e. emerging, transitional, LDCs and other developing countries).

Emerging countries together accounted for more than two-thirds of exports from the South, with an average growth rate of 24.5%. Other developing countries improved their trade performance at a similar rate. LDCs registered average export growth of 61%, with a sudden uptick in 2007, when exports from the South as a whole more than doubled. This was not a one-off, as LDCs maintained high export volumes in subsequent years. Meanwhile, the performance of transitional economies fluctuated.

Overall, the South's share of global exports climbed from 30.5% in 2002 to 41.2% in 2007. Southern import demand also rose sharply during the buoyancy period, averaging 24.2% compared to 17.5% in the North year-on-year. Despite changing global trade regimes since the new millennium, the South's global shares in exports and imports have grown steadily, leading to a convergence of trade performance with the North as shown in Figure 2.

Figure 2: Diminishing trade asymmetry between South and North: Share in the world (2002–2016)



Source: Calculation by authors based on UN Comtrade, 2018.

Box 1: Growth beyond regional differences

External shocks affected developing countries in different ways in recent decades, leading to a lopsided growth performance in Southern countries. Although development in the Global South has been uneven across regions, there is evidence showing convergence of growth in the South.

Countries in Latin America and the Caribbean and in the Middle East attained upper-middle income status in the initial phase, followed by Asian countries at the turn of the century. African countries are on a high growth trajectory due to sustained industrialization and a commodity boom in the last two decades.

The South's rapid growth was closely monitored around the world. Wilson and Purushothaman foresaw the ascendancy of large economies such as the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China and the Republic of South Africa in the new millennium and predicted that these economies would account for the biggest shares of global GDP by 2050.

Nayyar (2013) identified 14 Southern countries in Asia, Africa, Latin America and Europe that would follow in the footsteps of China and India in maintaining sustained high growth performance. China and India surpassed several countries in terms of GDP by maintaining high growth over a few decades. However, the South's ability to continue expanding will depend on a comprehensive strategy of combining growth, human development and social progress.

Growth has converged in the South: major subgroups within the South have expanded at almost the same pace. The South grew an average of 2.2% a year in 2000–2016, with emerging countries enjoying a compound annual growth rate of 2.4%, LDCs 2.6% and other developing countries 1.7%. Such convergence shows that the South should be considered as a single group of countries rather than a fragmented set of country groups.

Similarly, during the period of global buoyancy, the entire South experienced robust growth (7.5%). The four groups within the South mirrored this vigorous growth, with emerging countries expanding 7.6%, LDCs 8.6% and other developing countries 7%.

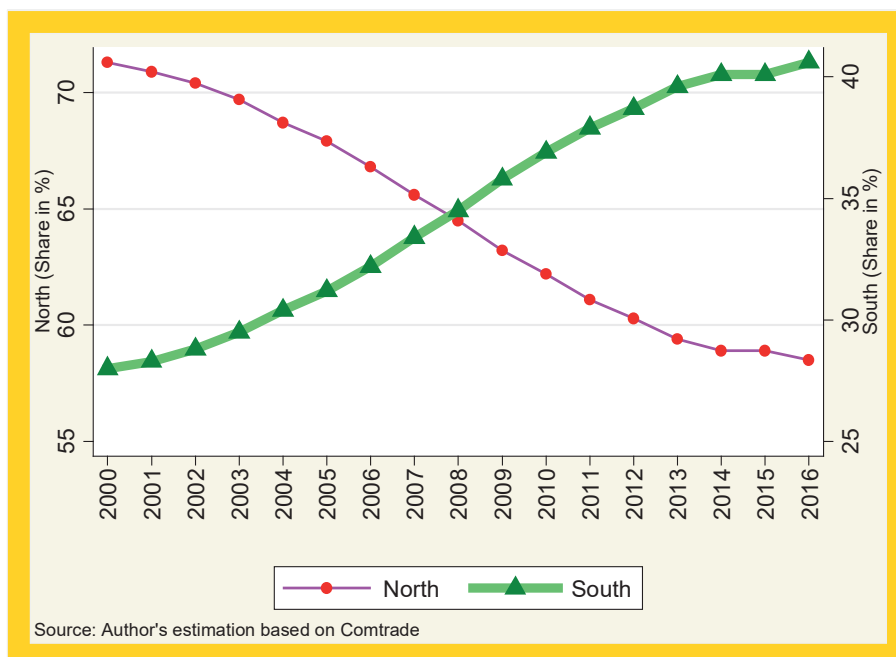
Sources: Wilson, Dominic and Purushothaman, Roopa (October 2003). "Dreaming with the BRICS: The Path to 2050." Global Economics Paper No. 99. Nayyar, D. (2013). *The South in the World Economy: Past, Present and Future*. UNDP Human Development Report Office.

Catching up with the Global North

An analysis of the three major economic phases since the turn of the century has pointed to the growth of the South despite external shocks suffered during recessions. The South's total gross domestic product (GDP) rose from \$7.6 trillion in 2000 to \$30.9 trillion in 2016. In other words, the South's economy grew more than fourfold in 2000–2016, compared with the twofold increase in global GDP.

The strong performance of the South culminated in its 'catching up' with the North. The North's share of world income decreased from 71.3% in 2000 to 58.5% in 2016. In the meantime, the South's share increased from 28% to 40.6% in real terms. Because the North grew at a slower pace (1.3% year-on-year in 2000–2016), the South (2.2%) largely propelled world economic growth (1.5%). The continued recession affected the South's growth, but it expanded more than the North in all three trade periods – from buoyancy to recession. The South's rising share in real gross world product reflects its resurgence in the past two decades, as shown in Figure 3.

Figure 3: Surging South: Growing share in gross world product (2000–2016)



Note: Shares are estimated after aggregating GDP (in constant prices) of all countries, covered under world, South and North.

Source: Calculation by authors based on World Development Indicators, World Bank, 2019.

From the existing literature on the rise of the South, certain 'stylized facts' can be highlighted:

- The Global South is expanding and 'catching up' with the North.
- The South's growth is supported by strong macroeconomic fundamentals.
- The South has benefited enormously from trade and globalization and is on the path of liberalization.
- With the proliferation of regionalism, there has been a boom in regional trade agreements (RTAs) in the South, which has, in turn, spurred South-South trade.
- North-South trade complements South-South trade, and both streams of activities are growing simultaneously.
- South-South trade is picking up with technology-intensive products.
- International value chains in production and trade have provided enormous economic strength to the South that enables it to grow. Value chain activities are present in several broad sectors, but production and trade in parts and components have particularly empowered a large spectrum of countries in the South.

Strong macroeconomic foundations support the rise of the South

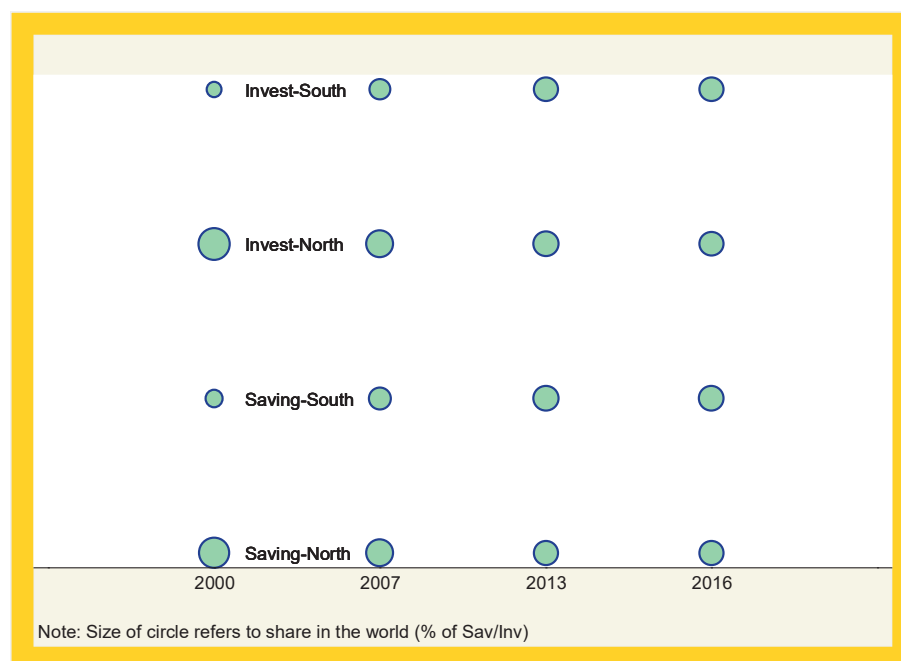
The ascent of the South is due to its own strength, particularly its sound macroeconomic fundamentals – specifically its domestic resource base, particularly savings and investment.² The sturdiness of this resource base has resulted in a robust growth performance in the last two decades. Starting from a low base of \$1.9 trillion in 2000, the South's gross savings increased to \$9.7 trillion in 2016, compared with \$9.1 trillion in the North.

During buoyancy, the South's gross savings rate (24.7%) grew much faster than that of the North (9.1%) and the world (14.2%). Having a bigger share of world savings and investment has given the South a larger share of gross world product, which has led to greater resource balance between the South and the North, as shown in Figure 4.

During recession, the growth rate of gross savings declined across all the broad country groupings. Still, the South and its subgroups continued to have the upper hand over the North. High gross savings helped the

South widen its global share from 24.3% in 2000 to 51.5% in 2016, paving the way for faster growth. Similarly, in terms of gross capital formation, the South registered a fivefold increase against the world economy's less than twofold increase over this period.

Figure 4: The South's rising share in savings and investment (2000–2016)



Source: Calculation by authors based on World Development Indicators, World Bank, 2019.

Gross capital formation in the South was comparable to that of the North in 2016, though the former had started from a lower base in 2000. Personal remittances have helped the South improve its resource base. In 2016, 74.8% of global personal remittances flowed into the South, underscoring its strength in 'movement in natural persons'.

Trade is a major growth engine

Trade has emerged as a growth driver in the South.³ The unparalleled expansion of South-South trade is demonstrable; South-South intraregional exports grew faster than Southern trade with the rest of the world in 1995–2011.⁴ Demand for goods from the South is significant for both the South and the North.

Expanded trade caused the Global South to open more to trade than the Global North during periods of global buoyancy and recession. Further growth of Southern trade has been supported by its foreign exchange reserves, which increased from 51.8% of the world's foreign exchange reserves in 2000 to 72.2% in 2016. Increased regionalism, technology-intensive trade and international value chain trade have also fuelled robust growth of Southern trade.

International value chains provide new opportunities

Countries engaged in international value chains are growing 2% faster on average than those that are unengaged.⁵ East Asia and South-East Asia are good examples of regions where industrialization and international value chain activities are largely responsible for the growth of regional trade.⁶

Foreign direct investment (FDI) flows in East and South-East Asia have also supported the expanded role of these regions in international value chains. These factors contributed significantly to the region's economic

integration process.⁷ In particular, increased trade in parts and components stimulated intraregional trade activities in East Asia, contributing to the region's growth in the mid-1990s.⁸

Technology-intensive trade: A driver of South-South trade

Technology-intensive trade with the South and the rest of the world was the main factor propelling the South's trade expansion. Southern countries may opt to maximize their development dividends through the trade route.

Exports from the Global South have their own limitations. The export structure of developing countries is characterized mostly by a large export basket, but is confined to a few products that cover a substantial portion of their total export earnings. Export diversification to more technological content would boost export proceeds, upgrade industry, create jobs and strengthen the domestic economy.⁹

In the major emerging economies, production and high-technology intensive trade have flourished on account of global trade agreements and intra-industry trade.¹⁰ East Asian countries drafted deliberate policies fostering technology-intensive exports with an eye towards global competitiveness.¹¹ Towards the end of the twentieth century, 70% of East Asian exports stemmed from the manufacturing sector.

Larger developing countries rely greatly on trade in medium- and high-technology products. More than half of India's imports from China were medium- and high-technology goods from 2007 to 2012, and the global business cycle adversely affected bilateral trade in technology-intensive sectors.¹² Reduced bilateral tariffs encouraged firms in the Common Market of the South (Mercosur) region to adopt new technologies, leading to an increase in technology-intensive exports.¹³ Higher bilateral export proceeds compensated for the loss of revenue due to lower tariffs.

Apart from technology-intensive products, South-South trade has intensified because of production and trade in international value chains. Southern countries recognize the difficulty of specializing in final products, and they find it easier to concentrate on parts and components, as scope for a large number of fragmented goods is feasible.

The South's engagement with the North in production networks, particularly clothing and electronics, has been an age-old practice since the 1960s. Such activities between North-South and South-South could expand in the coming decades, in sectors including automobiles, office equipment, precision instruments, electronics, machines and tools, and surgical and medical instruments, among others.¹⁴

East Asian and South Asian countries have seized opportunities in the parts and components sector, improving their trade performances and economic development. Liberal information technology regimes, including the Information Technology Agreement I and II, supported production and a trade-enabling environment to attract inflow of FDI, which led to expansion of international value chain production and trade activities in Asia.¹⁵ Significant spillover effects of FDI on indigenous firms in China prompted these enterprises to innovate to improve their global competitiveness, economies of scale and productivity.¹⁶

South-South: Dynamic performances in agriculture and manufacturing

South-South trade derives its dynamism from the performance of the agriculture and manufacturing sectors in three Southern country groups, namely, the emerging economies, LDCs and other developing countries. Agriculture exports have picked up sharply for emerging economies, accounting for more than 30% of global exports. This is second only to developed country exports, which stand at approximately 54%.

LDCs have achieved the biggest gains by more than doubling their share of global agricultural trade (both imports and exports) from 2002–2017. With respect to growth in exports of agricultural goods, both developing countries and LDCs performed better than emerging economies during buoyancy and the first phase of recession.

Emerging economies dominate manufacturing trade in the South, accounting for one-third of global exports. However, in terms of annual growth of exports and imports of manufactured products, LDCs outperformed even the emerging economies during the buoyancy period and the first phase of recession. Compared with

emerging countries and LDCs, developing countries experienced the smallest contraction in exports of manufactured products in the second phase of recession.

Intraregional commerce: Trade intensifies in medium- and high-technology goods

The dynamism of South-South trade is also evident in the growing focus on technology in intraregional trade. In 2003–2013, intraregional exports of both medium- and high-technology products among developed countries increased almost 1.5 times.¹⁷ In comparison, intraregional exports of medium-technology products in both the developing and emerging country groups rose 5.5–6 times. However, intraregional exports of medium-technology goods from the emerging country group is almost four times greater compared with the developing country group, with the gap widening marginally.

Intraregional exports of medium-technology products grew at an impressive 6.23 times for the LDC group in 2003–2013. Intraregional exports of high-technology goods among developed countries increased by 1.4 times. Both the developing country group and the emerging economies performed similarly, with intraregional exports of high-technology products multiplying more than fivefold.

Developing countries performed better than emerging countries, but the gap between the two groups decreased from 4.7 times in 2003 to 3.2 times in 2013. LDCs, however, multiplied their intraregional exports of high-technology products by more than 20 times in the same period.

Regional trade unlocks more opportunities in South-South trade

The South's improved trade performance is also reflected in intraregional trade growth: intraregional trade among countries in the South is increasing more than it is in the North. This suggests that countries in the Global South are robustly helping each other to grow. In 2002–2017, intraregional trade among developed countries grew at a compound annual rate of 2.7%. Meanwhile, intraregional trade among developing countries grew at a compound annual rate of 9.4% and more than 10% among emerging economies.

During buoyancy, intraregional trade in developing and emerging countries grew markedly more than in developed countries. In fact, South-South trade underpinned global trade during the first phase of recession, notwithstanding an across-the-board dip in intraregional trade in the immediate aftermath of the shock in 2008.

Dynamism in technology-intensive trade in regional trade agreements

The rise of the South is often captured through intraregional commerce stemming from regional trade agreements. Leaving aside deals that primarily involve industrialized economies, and for obvious reasons have a strong base effect, multiple regional trade agreements with robust Southern participation have emerged. These agreements have supported growth in intraregional trade. What is most striking is that intraregional trade within these agreements is becoming increasingly technology intensive in the categories of medium- and high-technology products.

The leading RTAs, existing and in the pipeline, with strong participation of countries from the South and with relatively large bases are the Regional Comprehensive Economic Partnership (RCEP), the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Trade Agreement and the Indian Ocean Rim Association for Regional Cooperation. These regional trade agreements primarily involve the Asia-Pacific region, with significant overlap in membership. Their export growth in the medium- and high-technology categories was impressive during both buoyancy and the first phase of the recession.

In this regard, members of the Asia-Pacific Trade Agreement and the Indian Ocean Rim Association for Regional Cooperation performed impressively and members of ASEAN and RCEP posted good performances. However, growth in technology-intensive intraregional trade is more robust in regional trading agreements from other regions.

For example, intraregional trade in medium- and high-technology goods grew moderately or significantly among members of the Southern African Development Community (SADC), the Pacific Alliance, Mercosur and the Peru-Australia Free Trade Agreement.

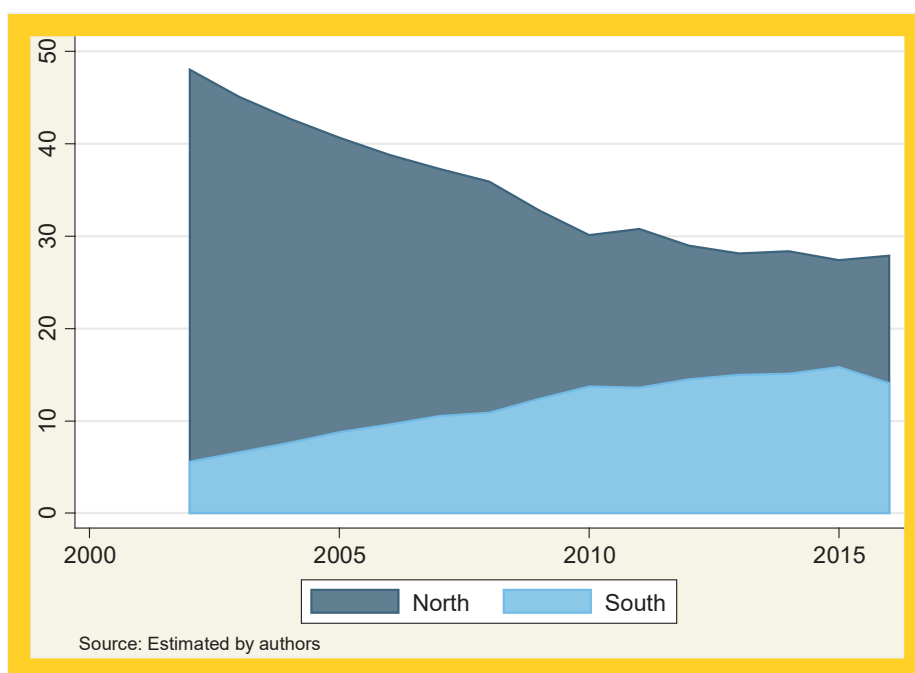
Regional trade agreement in the South reinforce international value chains

The Global South has gained enormously from the increase in regional trade agreements.¹⁸ Intensified trade in the Global South through such deals stems from greater dependency on regional trade in diversified sectors.¹⁹ In recent years, Asia has emerged as a hub of international trade because of its growing economy. Asian countries enjoy robust trade with regional economies and with the rest of the world. Several studies highlight Asia’s unprecedented growth in intraregional trade, which has contributed to its economic development.

Intraregional trade among emerging countries in Asia rose 8.5 times from 1990–2006.²⁰ More than half of all trade in East Asia was intraregional by 2003.²¹ A recent study found that the Latin American and Caribbean region had significantly improved its sectoral domestic economic performance and intraregional trade, particularly in processed food and manufacturing activities, through a large number of RTAs.²²

Trade in parts and components is often used as a proxy for measuring the degree of international value chain participation. On the other hand, the proliferation of regional agreements has aided the surge in global value chain trade. As the driver of global commerce, the South’s share of intraregional trade within international value chain trade is rising, resulting in the South ‘catching up’ with the North (Figure 5).

Figure 5: Converging North-South gap in global value chain trade (2000–2015)

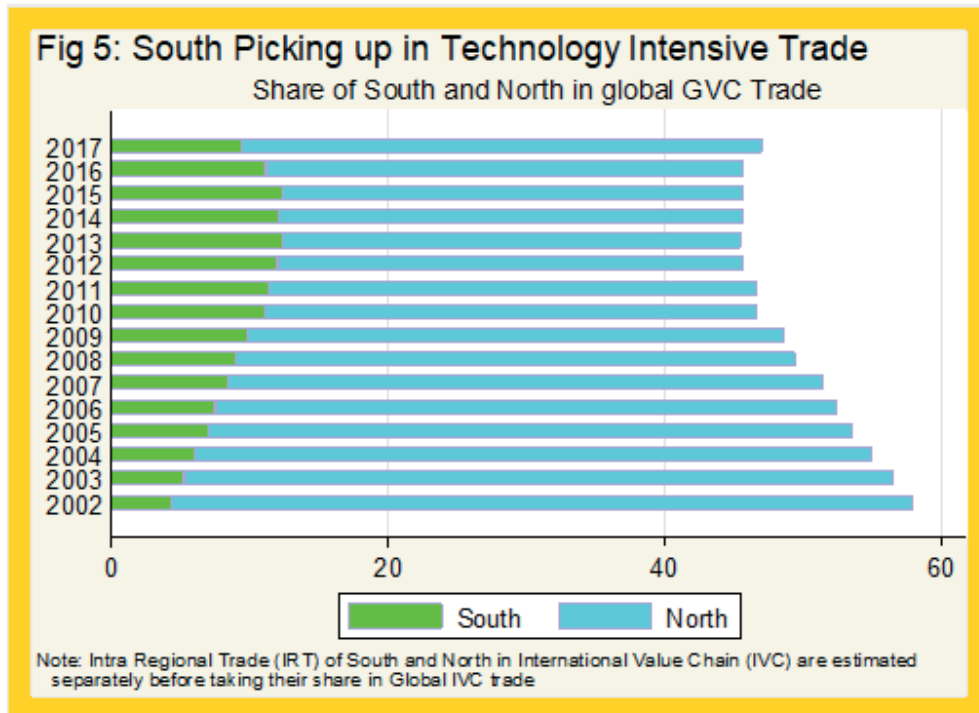


Note: Share in the world (%).

Source: Calculation by authors based on UN Comtrade, 2019 and UN end-use classification, 2003.

Growing demand for technology-intensive products and global value chain activities has also underpinned the rapid expansion of trade among Southern countries. The South’s share of intraregional trade in medium- and high-technology intensive trade in global value chain trade continues to rise (Figure 6).

Figure 6: South's share of intraregional trade in international value chain trade is rising



Source: Calculation by authors based on UN Comtrade, 2019 and product classification based on Mohanty (2002).

Global trade in parts and components more than doubled in 2003–2016. In terms of total trade in parts and components, the proposed RCEP is already ahead of the EU-27.² In this period, the Asia-Pacific Trade Agreement increased its exports of parts and components by more than 6.5 times. Mercosur, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, SADC, the Pacific Alliance and the Peru-Australia Free Trade Agreement are examples of other developing country RTAs that outperformed the average global gain in trade in parts and components.

In addition to the growing emphasis on technology, a major part of intraregional commodities trade among developing economies involves intermediate goods. Asian regional trade agreements such as the Asia-Pacific Trade Agreement, ASEAN, RCEP and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation have more than 50% (and often more than 60%) of intraregional trade in intermediate goods, which include parts and components as well as semi-processed goods (2003–2016).

Agreements in other regions such as Mercosur, the Southern African Customs Union, SADC, the Pacific Alliance and the Peru-Australia Free Trade Agreement also drove robust intraregional trade in intermediate goods (approximately 40%–50%) from 2003 to 2016.

² EU-27 refers to the 27 members of the European Union. This became an international abbreviation after the European Union added 10 new members in 2004 and two more members in 2007.

CHAPTER 2 WHY SOUTH-SOUTH CHAINS ARE VALUABLE

Global value chains can give firms a stepping stone to further internationalization, allowing them to reap the benefits of internationalization without having to develop the full value chain of a product.²³ Over the past 40 years, many Southern countries have developed by building trade or investment linkages with the Global North. This chapter will show that the South provides growing opportunities within Southern value chains, which complement traditional North-South linkages.

In the absence of appropriate data, the development prospects of South-South value chains remain ambiguous.²⁴ This report uses a detailed firm-level dataset collected by the International Trade Centre (ITC) project Supporting Indian Trade and Investment for Africa (SITA). A total of 558 firms in the Federal Democratic Republic of Ethiopia (193), the Republic of Kenya (101), the United Republic of Tanzania (122) and the Republic of Uganda (142) were interviewed in 2015, and 99 of them were re-interviewed in 2018 (see Appendix I).

These firms all participate in national or international value chains. This means that none of them produce any of these goods from start to finish; rather, they contribute a share of the total value added. The companies were engaged in one of the following three value chains: cotton, textiles and apparel; pulses; or sunflower oil.

This dataset offers us a first-time detailed look into the activities of East African enterprises in national and international value chains. This chapter shows how these firms enter global value chains and what they do within the value chain, for whom and at what price.

It provides new evidence that East African firms connected to South-South chains participate in activities of more value added than those connected to South-North chains. On average, these firms extract 10% more value from South-South chains. They also tend to be involved in more diverse tasks and consequently hire more skilled workers.

Other findings include:

- Specialization in specific tasks can be the first stepping stone to international markets;
- Importing is the main means for companies to enter global value chains;
- Indirect exporting can enable small and medium-sized enterprises (SMEs) and women-owned firms to enter international value chains;
- The most internationally active firms are foreign owned;
- South-South chains are easier to enter than South-North chains;
- The Global South is a major source of raw materials and equipment;
- Southern and Northern export markets are equally popular;
- East African processing firms capture on average 25% of a chain's total value addition;
- Enterprises that engage in international trade add more value;
- It is easier to move up the value chain of South-South than South-North;
- Firms engaged in South-North chains employ more people;
- Firms in South-South chains hire more skilled workers.

Strategies for entering international value chains

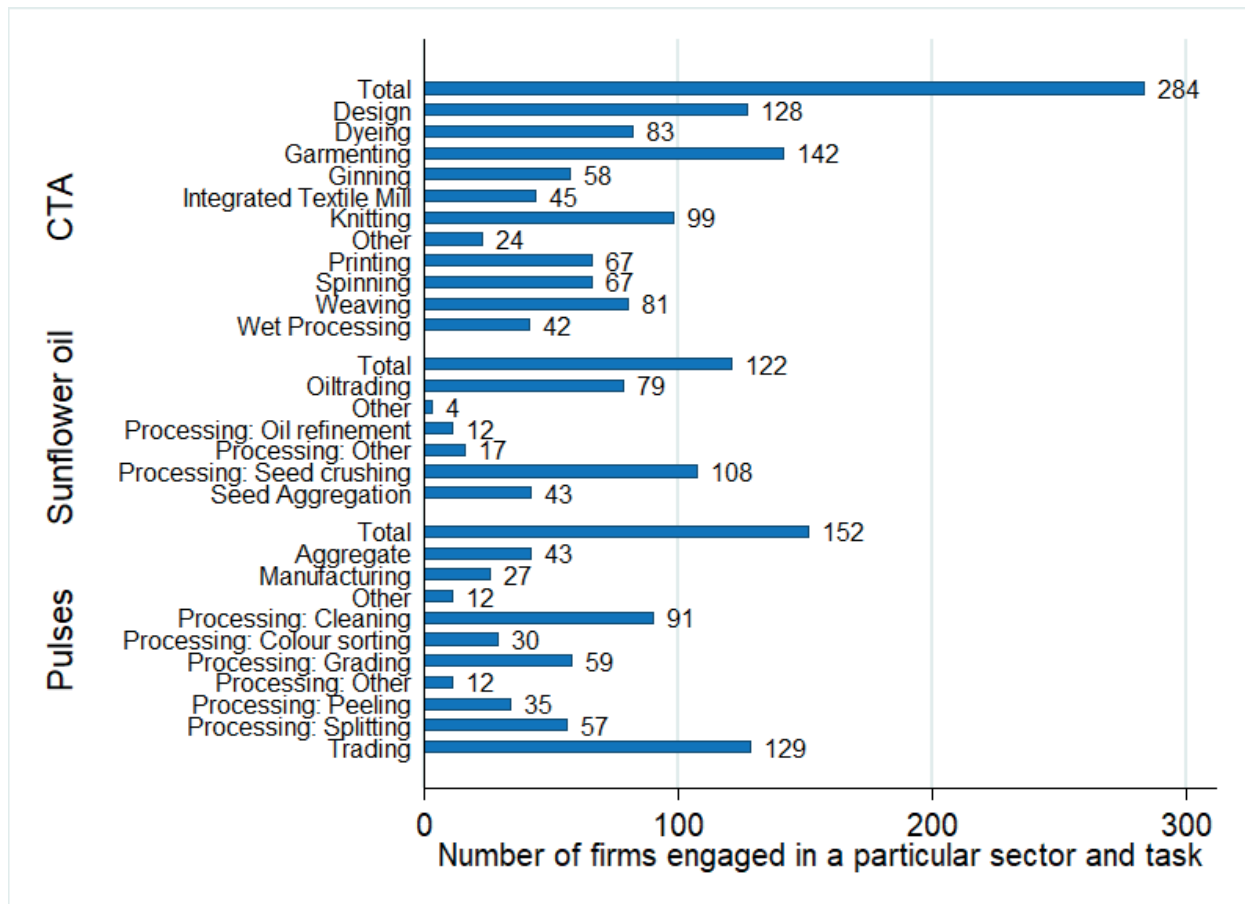
Overall productivity can be maximized by separating the various stages that are required to bring a good from its raw original conception to the final consumer and having that good made by firms that can specialize in its production. Furthermore, businesses can enter global markets without having to produce the full value chain, lowering the international entry barrier. To do so, firms must first concentrate on specific tasks. Other strategies that can help enterprises enter or expand in international markets include indirect exporting, importing and linking to foreign direct investors.

It all starts with specializing in specific tasks

As per our definition, companies enter value chains by specializing in specific tasks.³ Figure 7 illustrates the number of firms that perform certain tasks within each of the three value chains: cotton, textiles and apparel (284), pulses (152) and sunflower oil (122). The cotton, textile and apparel value chain demonstrates, for example, that most firms engage in multiple tasks such as designing (123 firms) and garmenting (140). This information will be used later when estimating how much value each enterprise contributes to the value chain by carrying out the activities listed in Figure 7.

Furthermore, despite the wide range of tasks available in the cotton, textile and apparel sector, firms tend to specialize in two tasks, regardless of firm size (Figure 8). This differs from the pulse sector, where larger enterprises in particular typically handle various, if not all, tasks along the value chain. In other words, specialization happens predominantly in cotton, textiles and apparel and less in pulses or sunflower oil.

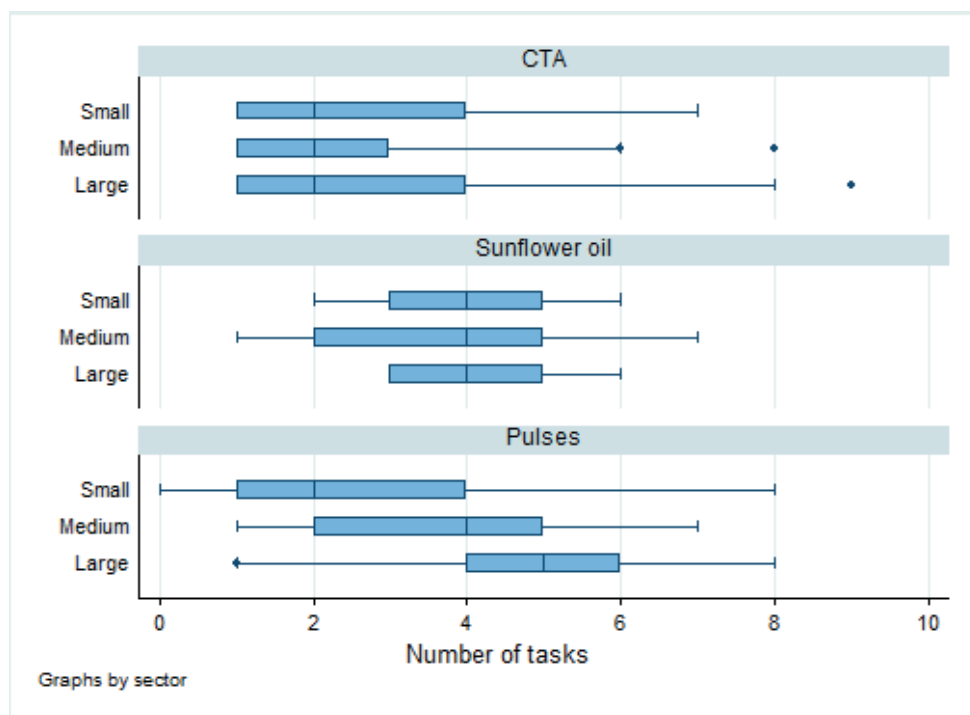
Figure 7: Distinct tasks within a value chain



Source: Company surveys collected under the SITA initiative.

³ A firm is engaged in a value chain when it executes at least one of these tasks. It is engaged in an international value chain when at least two stages happen in different countries. Take the example of a firm that gins cotton and sells it domestically to another firm, which proceeds with the spinning of the yarn before exporting it to another country for further textile production. In this example, the first firm is domestically engaged in an international value chain while the second firm is internationally engaged in that same international value chain.

Figure 8: Specialization in a select number of tasks



Source: Company surveys collected under the SITA initiative.

A select group of 35 cotton, textile and apparel firms specialize solely in the task of garmenting. Those that export these unfinished garments across the border do so via South-North value chains. These are the kinds of well-known traditional examples where both the North and the South specialize in their comparative advantage. Enterprises enter into contracts with Northern buyers that provide them with the necessary inputs, knowledge, infrastructure and technology, and the promise that they will buy all the production of the local firm. As such, these companies serve as examples of firms that concentrate on one specific task that is in line with their comparative advantage, making themselves attractive to Northern buyers.

Attracting foreign investors

Countries spend considerable time and effort trying to attract FDI in the hope of generating business, employment and knowledge spillovers. Foreign-owned firms tend to be larger and more productive, pay higher wages, use superior technology and be more engaged in international value chains.²⁵ The latter is also true for our sample. Of the 77 firms with some level of foreign ownership, 46% import and export simultaneously compared with only 11% of domestically owned firms.

Importing: The main means of entering international value chains

There are many ways for firms to enter global value chains, such as by importing raw materials or equipment from abroad, by exporting directly, via an intermediary, or any combination of these. Companies can choose to import part of their raw materials or equipment to produce better goods for the home market, or to export indigenous products. Each entry mode has its own challenges.

The data show that firms prefer importing as the means to enter international value chains, as up to 75% of those interviewed indicated that they import either raw materials or equipment. On average, firms that import raw materials obtain 67% of their total raw materials from abroad.

Indirect exporting: A stepping stone for small businesses and women-owned firms

Of the 285 firms that export, 88 do so indirectly (i.e. via an intermediary). SMEs and women-owned enterprises frequently choose this option, because it lowers barriers to entering international markets. Exporting indirectly enables companies to avoid the risks and costs that come with direct exporting, such as dealing with tariffs, non-tariff barriers and international delivery. On the other hand, the firm is ultimately producing for a foreign client, for which buyer requirements are significantly different from domestic sales. This can prepare a firm to deal with international clients on a greater scale.

The value of South-South trade

The data collected under the SITA initiative include detailed information about company characteristics and workforce and trade activities, among others, making it possible to take a bird's eye view of their specific activities in various types of value chains. This chapter looks at some of the main differences between engaging with South-South and South-North value chains.

The Global South is a major source of raw materials and equipment

Table 1 presents an overview of the main sources and destinations of firms' imports and exports. It shows that South-South value chains are especially important as a source of raw materials and equipment. Exporting activities are more balanced, with 20% of the enterprises exporting to the South and 16% exporting to the North.

Table 1 The Global South: A key source of raw materials and equipment for East African firms

	Source of raw materials		Source of equipment		Destination of goods	
	Number of firms	%	Number of firms	%	Number of firms	%
National value chain	327	77%	164	53%	335	64%
South-South value chain	97	23%	125	41%	103	20%
South-North value chain	3	0%	19	6%	85	16%
Total	427	100%	308	100%	523	100%

Note: A firm is engaged in a national value chain when it does not trade. Once it trades, a firm is defined as predominantly engaged in a South-South value chain once it sources more than 50% of its inputs from the South or exports more than 50% of its outputs to the South. The same mechanism applies to South-North value chains. Totals do not necessarily add up due to missing data.

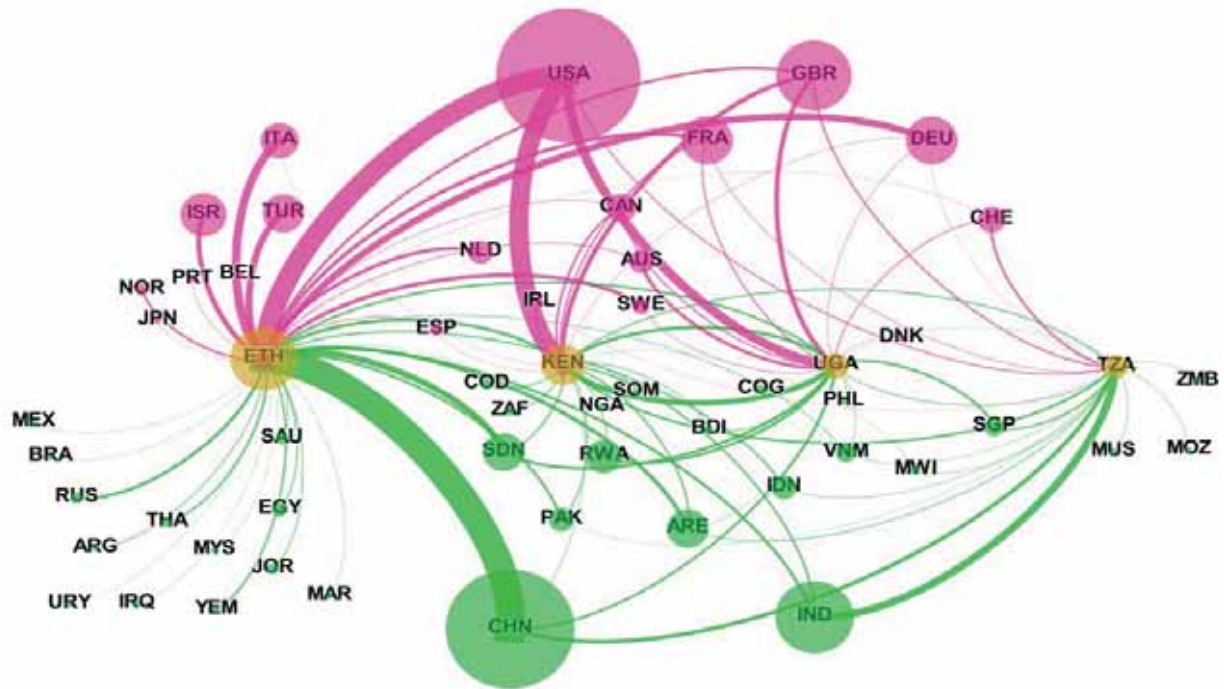
Source: Company surveys collected under SITA initiative.

Southern and Northern export markets are equally popular

Figure 9 represents the geographic diversification of the 558 firms interviewed during the baseline survey in 2015. The main export destination for the firms is the United States of America, with 53 exporters indicating that this is one of their three main export destinations. This is followed by China (47), India (28) and the United Kingdom of Great Britain and Northern Ireland (27).

Ethiopia is most diversified in its export destinations, with 40 distinct export partners, which is significantly more than Kenya (22), Uganda (20) and the United Republic of Tanzania (22). Kenya appears to be the country most significantly engaged in regional trade, with partners such as the Federal Republic of Somalia, the Federal Republic of Nigeria, the Republic of South Africa, the Republic of Côte d'Ivoire, the Republic of Rwanda, the Republic of the Sudan, Ethiopia, Uganda and the United Republic of Tanzania representing a significant proportion of Kenya's export markets.

Figure 9: Ethiopia has the most diversified export destinations, Kenya is deeply engaged in regional trade



Note: East African firms' engagement in South-South (in green) and North-South (in pink) value chains. The four countries in the sample are indicated in yellow. The thickness of the connections shows the average share of sales to this market, while the size of the bubbles represents how many firms export to this specific market.

Source: Company surveys collected under the SITA initiative.

South-South value chains: Easier for first-time engagement

Recent academic evidence suggests that South-North requirements are more stringent than those in South-South value chains.²⁶ Due to less rigorous standards, South-South chains make it easier for smaller firms from the Global South to export and participate in other forms of international business.²⁷ Governments may set quality standards or demand certification on how a product is produced. Lead firms may also set private standards related to product quality or corporate social responsibility.

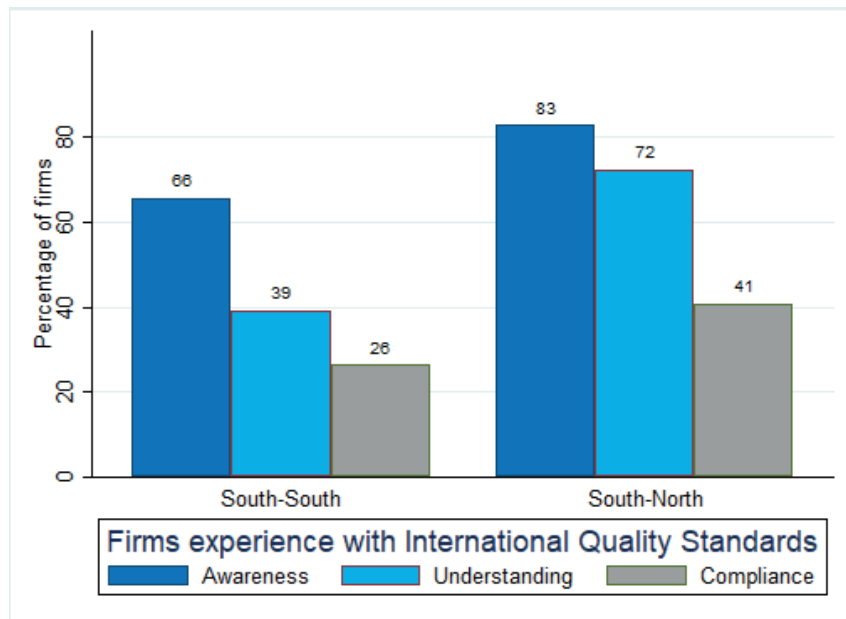
The effect of standards on firm internationalization is ambiguous. On one hand, it can limit market access.²⁸ On the other, it can also serve as a quality signal. Furthermore, limited competition can enable companies that are already in the market to build economies of scale and upgrade functionally.²⁹

The East African firms in the research sample were also surveyed about their experiences with international quality standards. In addition to the question of whether they complied with certain regulations, enterprises were asked about their understanding or even awareness of such standards.

Figure 10 shows that companies exporting to the North report higher compliance with and awareness and understanding of international quality standards than firms exporting to other Southern countries. Notably, both groups of firms are already engaged in international value chains by exporting, obliging them to adhere to potential standard regulations in the destination market.

Figure 10 also shows that 41% of enterprises predominantly engaged in South-North value chains comply with international quality standards. This means that more than half of their exports are shipped to the North, which indicates compliance with international quality standards. Of the companies that export predominantly to the South, only 26% indicate compliance with such standards. Moreover, firms in South-North chains signal greater understanding and awareness of standards, which can be interpreted as meaning that serving Northern end markets requires greater standards management.

Figure 10: Southern value chains and global standards: Less awareness, understanding and compliance



Note: A firm is engaged in a South-South value chain when it sources more than 50% of its inputs from the South or exports more than 50% of its outputs to the South. The same applies to North-South value chains.

Source: Company surveys collected under the SITA initiative.

Box 2: Spicy knowledge spillovers

Although India is one of the leading producers, consumers and exporters of premium-quality chilli in the world, it still depends on imports to satisfy domestic demand. Reaching production saturation in national markets, Indian producers are looking outward to satisfy high demand for chillies and establish alternative sourcing destinations.

Rwanda's chilli production, on the other hand, is at a very nascent stage, marked by limited production capacity and basic agronomic practices. However, the country's rich soil fertility and climatic conditions present enormous potential for the cultivation of certain high-value chillies.

Under the SITA project, ITC has been working to connect the two markets. SITA has conducted a feasibility study on spice production in Rwanda and presented it to various Indian companies, the Rwandan Government, selected Rwandan farmers and the National Agriculture Export Development Board. An Indian spice company agreed to cooperate on a pilot project to source hybrid chili varieties from Rwanda.

Under this project, Rwandan farmers have been selected to grow different hybrid chilli varieties in different locations in the country. The farmers are provided with the seeds, a 'package of practice' and formal training by Indian agronomic experts. In addition, various Indian buyers have agreed to purchase the entire harvest for the current season (if their quality requirements are met) at \$1 per kilo of dry chilli, in addition to supporting a warehouse in Rwanda and export logistics to India.

After some initial start-up problems, such as determining the best season to grow chilli, four Indian buyers are now participating in the pilot. By supplementing the production of chillies to satisfy the enormous Indian consumption on the one hand and providing an alternative source of income and access to international markets for Rwandan farmers on the other, this type of South-South cooperation creates clear win-win outcomes.

Source: SITA.

Firms' bargaining power affects international value chain participation

Academic research has focused extensively on the power structure of various international value chain participants.³⁰ The power structure is a large determinant of the benefits firms extract from global value chains or the extent to which they can improve their position. Typically, in the buyer-driven value chains that are present in developing countries, the global buyer holds the most bargaining power.

Think of large multinational textile companies that can choose among many garment producers; the producers are unable to distinguish themselves in order to get some bargaining power. Critical determinants of bargaining power include the firm's overall competitiveness, whether it holds any competitive advantages such as human or technological capital and its client base, but also how it enters the value chain, the complexity and value added of the tasks that it does and for whom.

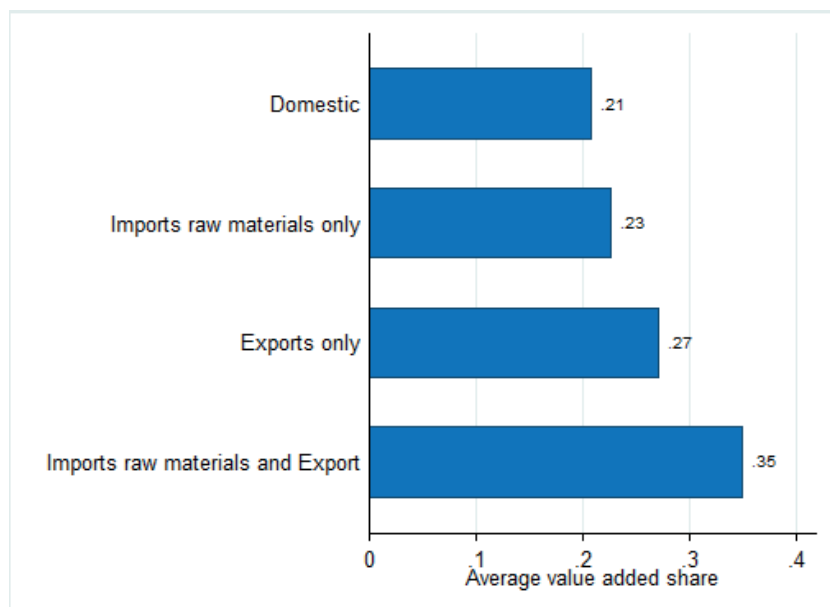
Firms extract on average 25% of a chain's value added, which can rise via international trade

As described in Box 3, the detailed nature of the data allows for calculation of a company's current position in international value chains. Specifically, it is possible to estimate a firm's contribution to the share of a value chain's total value. Such estimations demonstrate that, on average, the sampled firms capture 25% of a value chain's total value addition.

This means that as much as 75% of a value chain's value is derived from outside the firm and potentially outside of the country. As shown in Box 3 and Appendix II, service providers such as wholesalers and retailers add significantly more value than processors. This is in line with the famous theory of the smiley curves of international value chains that says the majority of value is added at the upstream and downstream parts of the chain. The midstream, typically the production part, tends to have the lowest value added.⁴

So how can firms improve the share of value added to value chains? Naturally, by taking on more tasks, or tasks of higher value added, it becomes possible to move up the value chain. One way to do this seems to be internationalization, because internationally trading firms add up to 14% points more value than enterprises that are not internationally active (Figure 11).

Figure 11: International firms add more value than national enterprises



Source: Company surveys collected under the SITA initiative.

⁴ The concept was first proposed by Stan Shih, the founder of Acer, an information technology company headquartered in Chinese Taipei, around 1992.

Box 3: International value chains implemented

Despite extensive research into global value chains, there is no uniform practice to measure an enterprise's engagement in value chains. Such a measure would be a start to quantify a firm's bargaining position in a chain and examine how it could improve the benefits it reaps from it.

The data collected by the SITA project allow us to provide such a measure for the first time at firm level. Namely, by having information on the exact task that firms execute and how much value is added at each stage, it becomes possible to calculate for each firm the share of the chain's total value added that it extracts. The value-added numbers provided in this report are based on the following three-step methodology.

1. Map the value chain. It is vital to understand the value chain by mapping all the individual stages that bring a product from its original conception to its end use.

2. Calculate each value chain stage. The value added at each stage can be simply calculated via an input–output practice, namely by looking at the difference between the buying and selling price at each individual stage.

3. Compute value-added share per firm. Knowing how much value is added at each stage and knowing in which stage each firm is engaged makes it possible to calculate the total share of value added per firm.

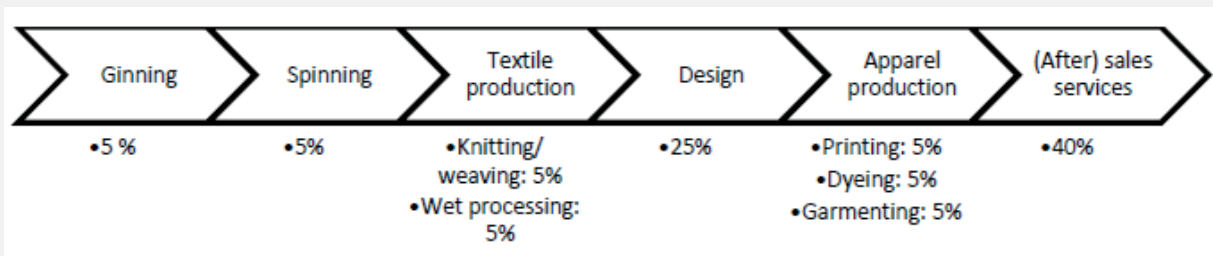
The results of Steps 1 and 2 are shown in Figures 12–14. These figures are based on primary research, such as consultation with ITC experts and local sector associations, but also secondary sources such as academic literature (See Appendix II for more information). Step 3 relies on the business surveys undertaken by SITA, which were at the task level in order for this methodology to work.

Cotton, textiles and apparel

These three steps have been applied to the three value chains analysed in this chapter. Consider, for example, the cotton, textile and apparel value chain as depicted in Figure 12. On the basis of one primary and three secondary sources, the different stages that take raw cotton to a finished textile product can be mapped, as shown in Figure 12. Roughly, ginning turns cotton into fibre, spinning turns it into yarn, and knitting and weaving turn it into finished fabrics. After a design determines the patterns, apparel production turns the fabric into finished apparel goods and then (after) sales services such as branding, distribution, marketing and sales add further value to the final product. Figure 7 shows that most firms in the dataset are engaged in garmenting (141), design (129) and knitting (99).

The value-added shares are calculated as an average of the numbers provided in secondary sources, as highlighted in Appendix I.

Figure 12: Mapping of the cotton, textile and apparel value chain, and value-added shares at different stages

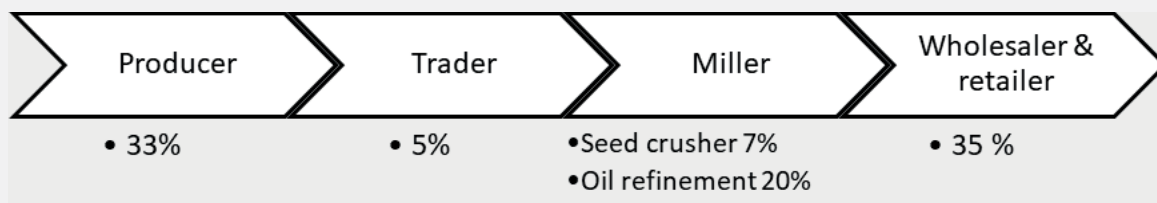


Source: Author's calculations based on Fernandez-Stark, Bamber and Gereffi (2016, p.12), Frederick (2010), United Nations Industrial Development Organization (UNIDO) (2009) and ITC in-house knowledge.

Sunflower oil

Unlike the cotton, textile and apparel value chain, there has been little research into the sunflower oil value chain. However, a report on the agricultural value chain in Northern Uganda provides good insight into this value chain. Seeds are cultivated and traded to millers, who process the seeds into sunflower cake and sunflower oil before selling it to wholesalers and retailers.

Figure 13: Mapping of East African sunflower value chain



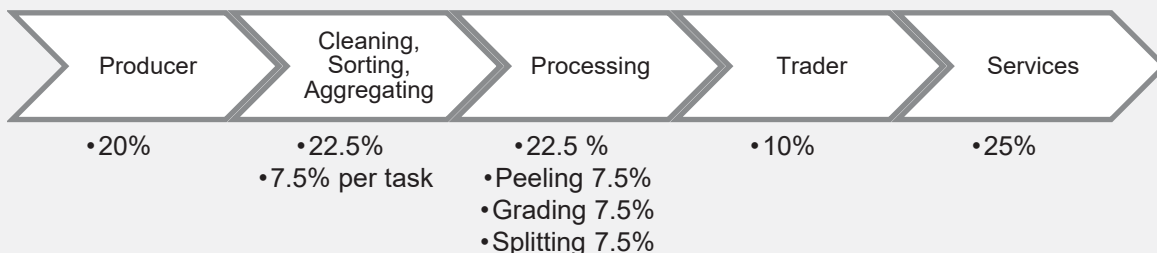
Note: 'Miller' has been split into seed crusher and oil processors. Based on ITC value chain roadmaps (2016), oil processors extract twice as much added value as seed crushers.

Source: Author's calculations based on Ian Dalipagic and Gabriel Elepu, "Agricultural Value Chains in Northern Uganda" (Action Against Hunger | ACF-International, 2014). ITC value chain roadmaps (2016) and ITC in-house knowledge.

Pulses

A seed is cultivated into a raw pulse that needs to be cleaned, sorted and aggregated. This may be exported as such or may be processed further into a final pulse, after which services such as packaging and branding add final value.

Figure 14: Mapping of East African pulse value chain



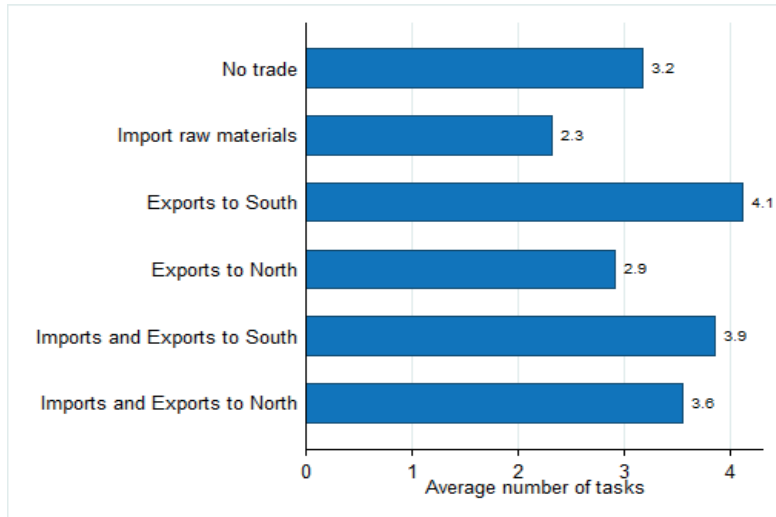
Source: Author's calculations based on the United Nations Development Programme (UNDP) (2012) and ITC.

Naturally, trying to simplify such diverse value chains into standardized sets of tasks with predetermined value-added shares has its shortcomings, as it cannot capture the finer details of different kinds of textile products or pulses, for example. This is mitigated by working with shares rather than absolute numbers. Furthermore, by using several primary and secondary sources to get these value-added shares, as demonstrated in Appendix I, a balanced overview is being represented.

Enterprises in South-South value chains engage in more tasks...

An important source of bargaining power is the number and diversity of tasks that firms carry out. In this context, it is interesting to investigate how many tasks East African processing firms engage in. As Figure 15 shows, firms that export mainly to the South execute on average 1.2 more tasks than firms that export mainly to the North. In other terms, firms in South-South value chains carry out 41% more tasks than firms in South-North chains. This suggests a lower specialization effect through South-South value chains and allows firms to execute more tasks and steadily increase competitiveness and bargaining power.

Figure 15 Firms exporting to the South carry out 1.2 more tasks than firms exporting to the North

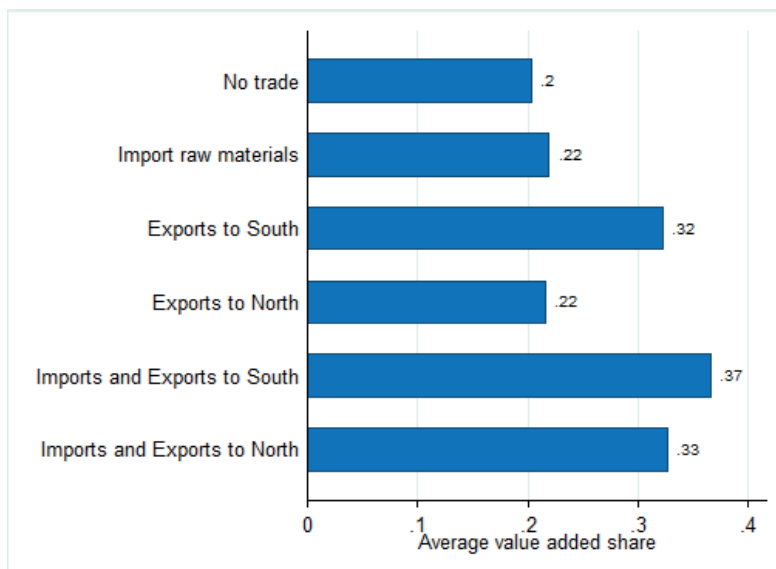


Source: Company surveys collected under the SITA initiative.

...And in tasks of higher value added than enterprises in South-North value chains

Figure 16 shows the value of Southern end markets. Exporting to the South results in 10% more value added than exporting to the North. This suggests that the activities that firms undertake for Southern buyers are more diverse or higher up the value chain than those undertaken for the North. This makes sense in terms of specialization. Namely, the specialization effect will be stronger within the traditional North-South divide, with the North focusing on high-end tasks and the South focusing on low-end tasks.

Figure 16: Southern value chains add more value than domestic or Northern value chains



Source: Company surveys collected under the SITA initiative.

This is in line with a growing body of literature that suggests that, while Northern end markets are good avenues for product and process upgrading, they might hamper economic or functional upgrading.³¹ This is related to the incentives of the Northern buyer, who benefits by improving the service of the delivered product. Due to specialization, however, it would not be in the Northern buyer's interests if the Southern supplier moved into other activities that might interfere with its core activities.

One specific example can be drawn from a case study of the apparel export market in Lesotho.³² This market is connected to South-North value chains via US exports and investments from Chinese Taipei,⁵ as well as South-South value chains via South African trade and investment linkages. While South-North value chains offer various opportunities for product and process upgrading, South-South value chains are more conducive for functional upgrading or moving up the value chain.

Referring back to the earlier example about the select group of firms that exclusively garment clothes, the export destinations of these finished garments (as previously mentioned) are all in the North. This is an often-cited example of how the Southern enterprises can link up with international lead firms in the global North and increase sales.³³

In the research sample, garmenting firms connected to the Northern markets make twice as many sales as garmenting firms operating domestically. Nevertheless, the value added of garmenting is very low (see Figure 12). This highlights the main differences between South-North and South-South value chains. While the former may provide more scope for short-term sales, the latter may facilitate longer term upgrading, learning and development.

North-South and South-South value chains: Quantity versus worker skills

Enterprises serving end markets in the North tend on average to hire three times as many employees as those serving the South, even after taking into account significant outliers. On the other hand, firms that export to the South typically employ higher-educated machine operators. In fact, up to 74% of machine operators in South-South companies have at least a secondary education and 48% even have a specific diploma or university degree. For firms engaged in the South-North value chain, 68% of machine operators have at least secondary education and 32% have a diploma or university degree.

Collectively, these findings suggest that the Global North offers more work than the Global South. However, activities for the South might be more complex and, therefore, of greater value added, as they require workers who are more skilled. Firms can increase their bargaining power in global value chains by engaging in activities of higher value added, allowing them to reap further internationalization benefits.

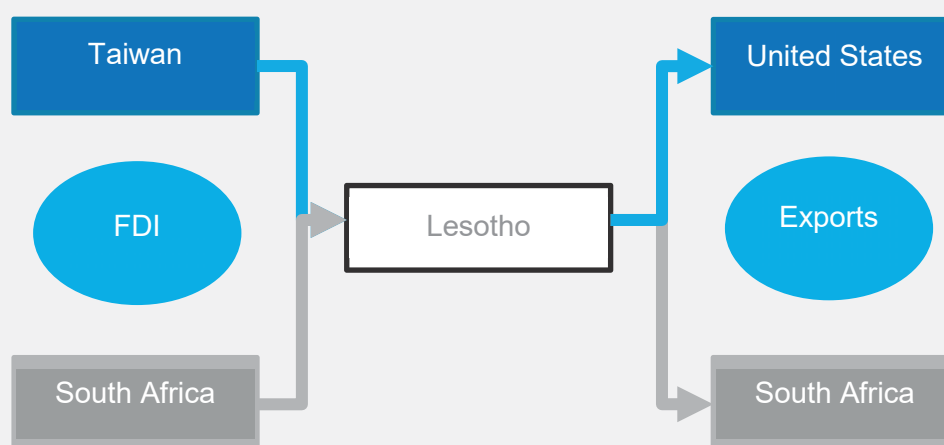
⁵ While officially part of the People's Republic of China, the authors of the case study consider Chinese Taipei as part of the Global North.

Box 4: South and North meet in Lesotho's apparel sector

Lesotho's apparel sector is often hailed as a success story for preferential trade agreements and FDI stimulating industrial development and international engagement. Under the African Growth and Opportunity Act (AGOA), which secures preferential market access to the United States, Lesotho managed to become the largest sub-Saharan African exporter of apparel to the United States. This also triggered investment from abroad, as Asian investors in particular sought to gain access to the United States through the AGOA. As such, a triangular manufacturing network has formed where Taiwanese FDI flows into the Lesotho apparel sector for further export to the United States. Here, both the backward (investor) and the forward (export market) belong to the Global North.

At the same time, initiatives under the Southern African Customs Union have stimulated regional integration. Particularly, South African retailers have been investing in Lesotho, benefiting from lower labour costs, a flexible labour market, a more compliant union environment relative to South Africa and duty-free access to South Africa under the Southern African Customs Union. This linkage of South Africa–Lesotho–South Africa is one of the Global South.

Figure 18: Manufacturing networks connecting Lesotho to Northern and Southern value chains



Note: Blue indicates North-South linkage and orange indicates South-South linkage.

Source: Author's illustration based on Staritz and Morris (2013).

The distinct North-South and South-South value chains linking Lesotho to international markets make for an interesting case study. Lesotho's manufacturing plants in both chains engage in cut, make and trim activities, but there are distinct differences in engagement with each value chain. For example, exactly what sort of goods and processes are required for each buyer? What are the differences in investments between the Taiwanese and South African investors? Most importantly, what are the opportunities to learn and upgrade in each chain?

For starters, the Taiwanese-owned firms are typically involved in basic and long-term production processes that involve relatively few operations, are generally easily constructed and have a low level of difficulty. Examples include cotton trousers, sweaters and pullovers. Training is, therefore, also limited to basic job skills such as how to handle sewing machines. Higher-skilled employees are usually hired from abroad, limiting skill transfers.

Furthermore, this international value chain is widely distributed across the globe, which means comparative advantages can be maximized. Asia also has low production costs, so the activities carried out in these factories are easily substitutable with local production. Lesotho's main advantage instead comes from

preferential access to the United States under the AGOA. As such, the plants of Lesotho have little bargaining power or other prospects to move into activities of higher value added.

Although the South African-owned factories also engage in cut, make and trim, they produce more diverse goods and sometimes also more technical products. One example is the manufacture of work wear for the South African mining industry that must meet strict health and safety requirements. In addition, these production processes typically require quicker turnaround, and there is even some evidence (Gibbon, 2002; 2008) that these suppliers contribute to design. As such, the South African-owned Lesotho plants are less substitutable, have more decision-making power and engage in cut, make and trim activities of higher value added.

Furthermore, rising costs in South Africa have prompted these manufacturers to transfer more production and other activities of higher value added – such as pattern making, fabric management and logistics coordination – to Lesotho. South African investors, therefore, also have a greater incentive to invest in skills upgrading. This can be seen, for example, by the fact that they invest 1.5 times as much as their Taiwanese counterparts in training local supervisors.

This brief review of the case study on Lesotho's apparel sector highlights the distinct differences between South-South and South-North value chains. This may not be the case in other sectors or countries, of course. The South-North value chain is motivated predominantly by the AGOA, which has stimulated economic activity in Lesotho as well as some spillovers in terms of learning. However, this motivation has also locked local factories into a very specific activity with limited skills and largely low-cost machinist workers producing basic products. It is, therefore, perhaps not necessarily the South-North versus South-South distinction that drives the degree to which local firms can benefit from international value chains, but rather their specific motivations.

Going forward, the Lesotho apparel industry will require an appropriate industrial policy, with the dual aim of expanding skilled labour and fostering a culture to make manufacturing operations more competitive. Likewise, a regional perspective will be crucial for sustainable competitiveness and upgrading in the industry, as the absence of regional sourcing networks for textiles and other inputs constrains competitiveness and value added. Otherwise, the benefits of international engagement will be limited to its direct employment creation, rather than its ability to generate skills and knowledge spillovers, greater levels of upgrading and local and regional linkages that support the industrialization of the Lesotho economy on a broader front.

Source: Staritz and Morris (2013). Local Embeddedness, Upgrading and Skill Development: Global Value Chains and Foreign Direct Investment in Lesotho's Apparel industry.³⁴

CHAPTER 3 POLICY RECOMMENDATIONS

Policymakers should boost South-South trade and investment to achieve economic growth targets. The geography of international trade and development is shifting beyond the traditional approach of connecting Southern suppliers to Northern end markets. There are opportunities to do business and enhance competitiveness in the South, which should be encouraged at the policy, institutional and enterprise levels.

Strategies to increase South-South trade and investment

- Strategies for export-oriented growth in the South are necessary. The Global South should pursue trade with both the North and the South to take advantage of complementary opportunities offered by both regions.
- At the same time, policies must take into consideration that the North and the South provide different opportunities to Southern enterprises. While a Northern lead firm typically has an incentive to upgrade products and processes, moving into activities of higher value added (also known as functional or economic upgrading), this clashes with the Northern buyer's incentives. Specialization in certain tasks means such upgrading might interfere with the Northern lead firms' core activities. As discussed in Chapter 2, this is less likely to happen in South-South trade, where there is less specialization.
- Policies are needed to encourage two-way trade with the North in both primary and technology-intensive products. The older paradigm of exports of primary commodities from the South to the North is increasingly losing relevance.
- Support more regional cooperation in the Global South to improve South-South trade. Regional trade agreements in the South must target improved engagement with South-South value chains, with a focus on technology-intensive trade.
- Simultaneously promote investment in low-technology and medium- or high-technology products, with scope to diversify into manufacturing parts and components for easier integration into international value chains.
- Policymakers should target both bilateral and multilateral South-South trading arrangements. Regional trade agreements may promote South-South commerce in goods and services with a strong component of value chain creation in the South. South-South value chains might provide better opportunities for Southern firms to add value and absorb skills.
- Understand that the number of tasks that firms perform can have implications for engaging in value chains, depending on the sector. In the low-technology segments, firms of all sizes may have diverse capabilities, but integration into value chains in the medium- and high-technology categories through parts and components would require specialization and skills.
- Understand that international engagement happens via specialized tasks. Policy should aim to help companies competitively execute those tasks internationally. The data presented in the report show that importing is the preferred way through which firms enter international value chains. More than three-quarters of the firms imported raw materials or equipment from abroad.
- Facilitate imports, recognizing that this is an important way for firms to enter global value chains.
- Promoting inward foreign direct investment can be a useful vehicle for companies to connect to international markets.
- Negotiations on trade should be held under equal stakeholder partnerships on all issues concerning trade, resource flows, arbitration and regulations, considering the strong growth and trade performances of several countries in the South, and cutting across development stages and groups.

Appendix I: Enterprise survey data collection

The data used in Chapter 2 of this report were collected as part of the ITC initiative Supporting Indian Trade and Investment for Africa (SITA). The data were collected in two phases. First, a total of 558 firms located in Ethiopia (192), Kenya (101), the United Republic of Tanzania (122) and Uganda (142) were interviewed in 2015. From this baseline survey, a random sample of 99 firms were re-interviewed in 2018.

The baseline survey was collected following a three-step procedure. As a first step, the SITA team identified as many firms as possible within the respective country–industry that fitted the interest group. Besides external sources, the team could rely on an extensive internal network, such as client relationship management, business registries, ministries, trade and industry associations as well as personal contacts between ITC staff and local companies. The interest group comprised firms active in processing within one of the three value chains. These chains were chosen based on a thorough analysis of export potentials and stakeholder engagement processes during SITA’s needs assessment and project design phase in 2014.

Second, a sample framework was constructed by focusing on specific target groups related to firm size and the broad value chain activity in which a firm is engaged. Firm size levels are small, medium and large. Here, small enterprises are defined as having fewer than 10 employees, medium-sized firms as having between 10 and 50 employees, and large firms as having more than 50 employees. Three broad types of value chain activities were identified: farming, processing and exporting. Here, SITA’s main interest was in processors and exporters. The total sample framework consisted of 669 firms.

After constructing the sample framework, the third step involved reaching out to these businesses to do the actual interviews. While the goal was to reach at least 50% of this sample framework, response rates averaged 84% (see the table below).

Country	Sample framework	Sample size	Percentage
Ethiopia	195	192	98%
Kenia	120	101	84%
Tanzania	192	122	64%
Uganda	162	142	88%
Total	669	557	84%

After the baseline survey was collected, a second round of interviews was conducted in 2018. A total of 141 firms located in Kenya (12), Uganda (44), Ethiopia (45) and the United Republic of Tanzania (40) were able to provide follow-up answers to the baseline survey of 2015. The numbers provided in Chapter 2 always rely on the most recent information of each firm.

Appendix II: Mapping and valuating value chains

This appendix describes in greater detail how Steps 1 and 2 of the three-step methodology as described in Box 3 of Chapter 2 are executed. As stated, primary and secondary data sources were used to map and value the three different value chains discussed in that chapter. This appendix provides an overview of the different sources used for each value chain to determine these key components.

Table 2: An overview of value-added shares in the cotton, textile and apparel value chain

VC task Source	Ginning	Spinning	Textile production	Design	Apparel production	(After) sales services
Fernandez-Stark et al. (2016)³⁵	4% ^A	2%	8%	70% ^B	16%	70% ^B
Frederick (2014)³⁶		25%–40% ^C		60%–75% ^B	25%–40% ^C	60%–75% ^B
UNIDO (2009)³⁷	4%	5%	12%	57% ^B	23%	57% ^B
ITC in-house knowledge	10%	10%	10%	25%	15%	30%
Final values used in this paper	5%	5%	10%	25%	15%	40%

Note: ^A This includes the value added from agroprocessing as well. ^B These values are shared between the 'design' and '(after) sales services', with the exact breakdown being unclear. ^C These values are shared between these production stages, with the exact breakdown being unclear.

Table 3: An overview of value-added shares in the sunflower oil value chain

VC task Source	Producer	Trader	Miller (seed crusher)	(seed miller processor)	(Oil service provider (wholesale/retail))
Dalipagic and Elepu (2014)³⁸	38%	5%	17%		40%
Chisoro-Dube and Paremoer (2018)³⁹	16%–32%	0%–10%	68%–84%		
ITC in-house knowledge	33%	3%	34%		30%
Final values used in this report	33%	5%	7%	20%	35%

Table 4: An overview of value-added shares in the pulses value chain

VC task Source	Producer	Cleaning, sorting and aggregating	Processing	Trader	Service provider (wholesale / retail)
UNDP (2012)⁴⁰ bean flour	27%	48%		–	25%
UNDP (2012)⁴¹ Nambala long variety	66%			11%	23%
IFPRI (2010)⁴² Chickpeas in Ethiopia	68%			9%	23%
ITC in-house knowledge (India)	60% ^A		20%	60% ^A	20%
Final values used in this report	20%	6 tasks, 45% left = 7.5%		10%	25%

Note: ^A This value is shared between producing, cleaning, sorting, aggregating and trading, with the exact breakdown being unclear.

REFERENCES

- ¹ Arora, V., & Vamvakidis, A. (2005). How much do trading partners matter for economic growth? *IMF Staff Papers*, 52(1), 24–40.
- ² Mohanty, S.K., Dash, Priyadarshi, Saha, Sabyasachi, Kumar, Sushil and Gupta, Aastha (2016). Resurging South: Stylized Facts, RIS Policy Brief, Research and Information System for Developing Countries, New Delhi.
- ³ Bernhardt, T. (2016). South-South trade and North-South trade: Which contributes more to development in Asia and South America? Insights from estimating income elasticities of import demand. *CEPAL Review*, 2016(118), 97–114. <https://doi.org/10.18356/056e0f80-en>
- ⁴ *Ibid.*, and Shirotori, M. and Molina, A.C. (2009). South-South Trade: The Reality Check. United Nations Conference on Trade and Development (UNCTAD).
- ⁵ ICTSD (2016). Trade Policies and Sustainable Development in the Context of Global Value Chains. Geneva: International Centre for Trade and Sustainable Development (ICTSD).
- ⁶ Shaffaeddin, M. (2008). *South-South regionalism and trade cooperation in the Asia-Pacific region. RCC Policy Paper Series*. Colombo: UNDP Regional Centre in Colombo.
- ⁷ United Nations Conference on Trade and Development (UNCTAD). (2013). Global Value Chains and Development: Investment and Value Added Trade in Global Economy, A Preliminary Analysis.
- ⁸ Athukorala, P. C., & Nasir, S. (2012). Global production sharing and South-South trade. *Indian Growth and Development Review*, 5(2), 173–202. <https://doi.org/10.1108/17538251211268080>
- ⁹ *Ibid.*
- ¹⁰ Chaturvedi, S., Saha, S. and Shaw, P. (2016). Trade in High Technology Products. RIS Discussion Paper #207, RIS New Delhi.
- ¹¹ Lall, S. (2000). The Technological Structure and Performance of Developing Country Manufactured Exports, 1985–1998. *Oxford Development Studies*, 28(3), 337–369. <https://doi.org/10.1080/713688318>
- ¹² Mohanty, S.K. (2014). India-China bilateral trade relationship. Reserve Bank of India, January. Available from http://www.ris.org.in/images/RIS_images/pdf/India%20china%20report.pdf (accessed on 26 November 2015). Google Scholar.
- ¹³ Bustos, P. (2011). Trade liberalization, exports, and technology upgrading: Evidence on the impact of MERCOSUR on Argentinian firms. *The American Economic Review*, 101(1), 304–340. <https://doi.org/10.1257/aer.101.1.304>
- ¹⁴ Athukorala and Nasir (2012), *op. cit.*
- ¹⁵ WTO (2003). *Selected Features of South-South Trade Development in the 1990–2001 Period*. World Trade Report 2003. World Trade Organization, Geneva.
- ¹⁶ Fu, X. (2011). Processing Trade, FDI and the Exports of Indigenous Firms: Firm-Level Evidence from Technology-Intensive Industries in China. *Oxford Bulletin of Economics and Statistics*, 73(6), 792–817. <https://doi.org/10.1111/j.1468-0084.2011.00673.x>
- ¹⁷ RIS data.
- ¹⁸ UNCTAD (2013), *op. cit.*

- ¹⁹ Aminian, N., Fung, K. C., Lizaka, H., & Siu, A. (2007). *Foreign direct investment, intraregional trade and production sharing in East Asia* (p. 45). Emerging Trade Issues for Policymakers in Developing Countries in Asia and the Pacific.
- ²⁰ Gruenwald, P. and Hori, M. (2008). Intra-regional Trade Key to Asia's Export Boom. *IMF Survey* magazine, p. 6.
- ²¹ Athukorala, P. C., & Yamashita, N. (2006). Production fragmentation and trade integration: East Asia in a global context. *The North American Journal of Economics and Finance*, 17(3), 233–256.
<https://doi.org/10.1016/j.najef.2006.07.002>
- ²² Mohanty, S. K., Gaur, P., Fernandez, S., & Sikri, U. (2018). *India's Engagement with LAC in Trade and Investment*. New Delhi: Department of Commerce and Research and Information System for Developing Countries.
- ²³ Giorgia Giovannetti, Enrico Marvasi and Marco Sanfilippo, *Supply Chains and the Internalization of SMEs: Evidence from Italy*. *Small Business Economics* 44, No. 4 (2015): pp. 845–865; Carlo Pietrobelli and Roberta Rabellotti (eds.), *Upgrading to Compete: Global Value Chains, Clusters, and SMEs in Latin America* (Washington, DC, 2006); Carlo Pietrobelli and Roberta Rabellotti, *Global Value Chains Meet Innovation Systems*, *World Development* 39, No. 7 (2011): pp. 1261–1269.
- ²⁴ Kaplinsky, R., & Farooki, M. (2011). What Are the Implications for Global Value Chains When the Market Shifts from the North to the South? *International Journal of Technological Learning, Innovation and Development*, 4(1–3), 13. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1559722
<https://doi.org/10.1504/IJTLID.2011.041898> Horner, R. (2016). A New Economic Geography of Trade and Development? Governing South–South Trade, Value Chains and Production Networks. *Territory, Politics, Governance*, 4(4), 400–420. <https://doi.org/10.1080/21622671.2015.1073614>
- ²⁵ Wagner, J. (2012). International Trade and Firm Performance: A Survey of Empirical Studies since 2006. *Review of World Economics*, 148(2), 235–267. <https://doi.org/10.1007/s10290-011-0116-8>
- ²⁶ Horner (2016), *op. cit.*; Rory Horner and Khalid Nadvi, *Global Value Chains and the Rise of the Global South: Unpacking Twenty-First Century Polycentric Trade*. *Global Networks*. Nadvi, K. (2008). Global Standards, Global Governance and the Organization of Global Value Chains. *Journal of Economic Geography*, 8(3), 323–343. <https://doi.org/10.1093/jeg/lbn003> Joonkoo Lee and Gereffi. (2011). Gary, *Global Value Chains, Rising Power Firms and Economic and Social Upgrading*, *Critical Perspectives on International Business* 11, No. 3/4 (2015): pp. 319–339; Raphael Kaplinsky, Anne Terheggen and Julia Tijaja, *China as a Final Market: The Gabon Timber and Thai Cassava Value Chains*. *World Development*, 39(7), 1177–1190.
- ²⁷ Lee, J., & Gereffi, G. (2015). *Global Value Chains, Rising Power Firms and Economic and Social Upgrading* (July 2015). *Critical Perspectives on International Business*, 11(3/4), 319–339. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2639967 <https://doi.org/10.1108/cpoib-03-2014-0018>
- ²⁸ Gibbon, P., & Ponte, S. (2005). *Trading Down: Africa, Value Chains and the Global Economy*. Philadelphia, PA: Temple University Press.
- ²⁹ (n.d.). Horner (2016), *op. cit.*; H. Schmitz and P. Knorringa, “Learning from Global Buyers. *The Journal of Development Studies*, 37(2), 177–205.
- ³⁰ J. Humphrey and H. Schmitz, “Governance and Upgrading: Linking Industrial Cluster and Global Value Chain Research,” *Sussex: Institute of Development Studies, University of Sussex Working Paper*, No. 120 (2000) Humphrey, J., & Schmitz, H. (2005). “How Does Insertion in Global Value Chains Affect Upgrading in Industrial Clusters?” *Regional Studies* 36, no. 9 (2002): 1017–1027; Gary Gereffi, John Humphrey and Timothy Sturgeon, “The Governance of Global Value Chains. *Review of International Political Economy*, 12(1), 78–104. <https://doi.org/10.1080/09692290500049805> ITC, “SME Competitiveness Outlook 2017 - The Region: A Door to Global Trade” (Geneva, Switzerland: International Trade Centre, 2017), <http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/smeco17.pdf>
- ³¹ Lee and Gereffi, Gary, “Global Value Chains, Rising Power Firms and Economic and Social Upgrading.”
- ³² Gereffi, G., Cattaneo, O., & Staritz, C. (Eds.). (2011). *Shifting End Markets and Upgrading Prospects in Global Value Chains* (Vol. 4). International Journal of Technological Learning Innovation and Development.

³³ Achim Berg, Saskia Hedrich and Bill Russo, “East Africa: The next hub for apparel sourcing?” *The McKinsey Quarterly*, McKinsey, Frankfurt, 2015. Available at https://webbuilder.asiannet.com/ftp/725/1040917_East%20Africa2.pdf Karina Fernandez-Stark. (2011). Stacey Frederick, and Gary Gereffi, “The Apparel Global Value Chain. Duke Center on Globalization, Governance & Competitiveness.

³⁴ Cornelia Staritz and Mike Morris (2013). *Local Embeddedness, Upgrading and Skill Development: Global Value Chains and Foreign Direct Investment in Lesotho’s Apparel Industry. Capturing the Gains Working Paper 20*. Available at <https://ssrn.com/abstract=2237488> or <http://dx.doi.org/10.2139/ssrn.2237488>

³⁵ Center on Globalization, Governance & Competitiveness, Duke University.

³⁶ Stacey Frederick (2014). *Combining the Global Value Chain and Global IO Approaches*, in *International Conference on the Measurement of International Trade and Economic Globalization*.

³⁷ Morris, M., & Barnes, J. (2009). Globalization, the Changed Global Dynamics of the Clothing and Textile Value Chains and the Impact on Sub-Saharan Africa: *Vol. 10. Research and Statistics Branch. Working Paper*. Vienna: United Nations Industrial Development Organization; Available at <http://open.uct.ac.za/handle/11427/19675>

³⁸ Ian Dalipagic and Gabriel Elepu (2014). *Agricultural Value Chains in Northern Uganda*. Action Against Hunger | ACF-International.

³⁹ Cornel Jahari et al., “Growth and Development of the Oilseeds-Edible-Oils Value Chain in Tanzania and South Africa,” *CCRED Working Paper 3* (February 1, 2018), <https://www.ssrn.com/abstract=3115940>

⁴⁰ Cornel Jahari et al., “Growth and Development of the Oilseeds-Edible-Oils Value Chain in Tanzania and South Africa,” *CCRED Working Paper 3* (February 1, 2018), <https://www.ssrn.com/abstract=3115940>

⁴¹ *Ibid.*

⁴² Shaidur Rashid et al., “Pulses Value Chain in Ethiopia: Constraints and Opportunities for Enhancing Exports,” Case study (International Food Policy Research Institute (IFPRI), 2010).



Street address
International Trade Centre
54-56 Rue de Montbrillant
1202 Geneva, Switzerland

P: +41 22 730 0111
F: +41 22 733 4439
E: itcereg@intracen.org
www.intracen.org

Postal address
International Trade Centre
Palais des Nations
1211 Geneva 10, Switzerland

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.