

# RIETI BBL Seminar Comment Handout

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“GVC Journeys When National and Territorial  
Comparative Advantage Differ”

December 11, 2018

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<https://www.rieti.go.jp/jp/index.html>

# Comments on “GVC journeys: Industrialisation and Deindustrialisation in the Age of the Second Unbundling”

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RIETI December 11<sup>th</sup> 2018

# Points of the paper (conceptual paper)

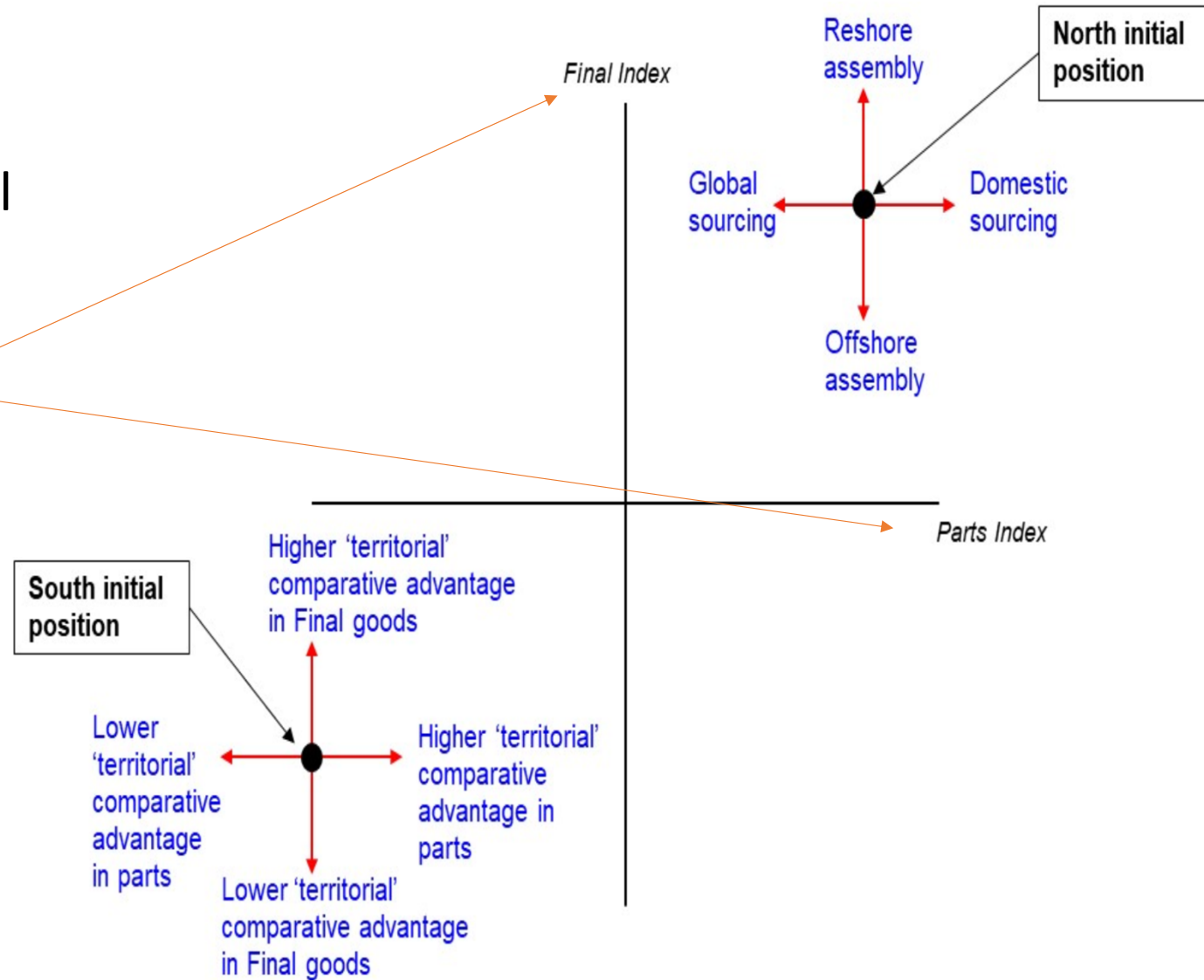
- 1. GVC based on comparative advantage
  - Comparative advantage can change over time (1990s- current)
  - **Technology trade** can change CA
- 2. GVC journey diagram
  - Final product and P&C
  - Reshoring and offshoring
- 3. GVC theory
  - A simple trade theory with final and P&C
  - **Offshore overshooting** happens

# GVC Journey Diagram

(1) Decompose P&C vs. Final

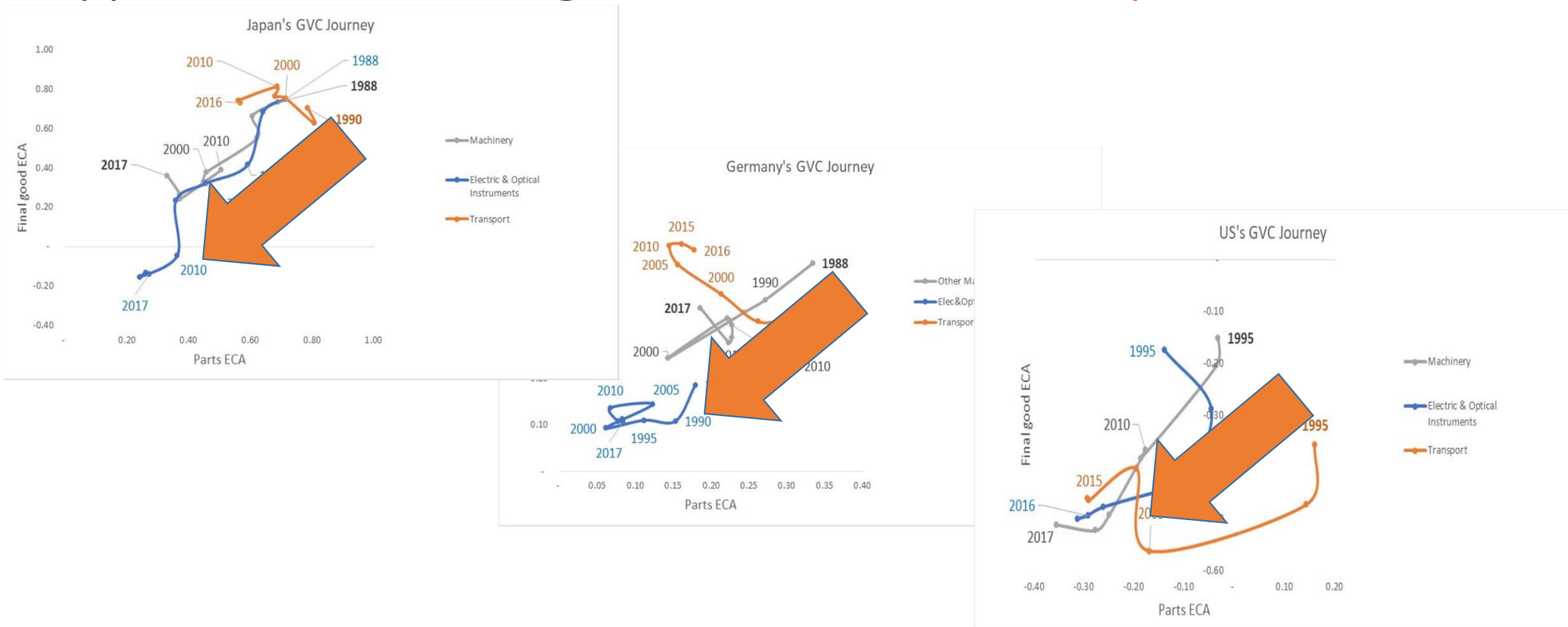
(2) Similar index to RCA

$$ECA_{cik} = \frac{X_{cik} - M_{cik}}{X_{cik} + M_{cik}}$$

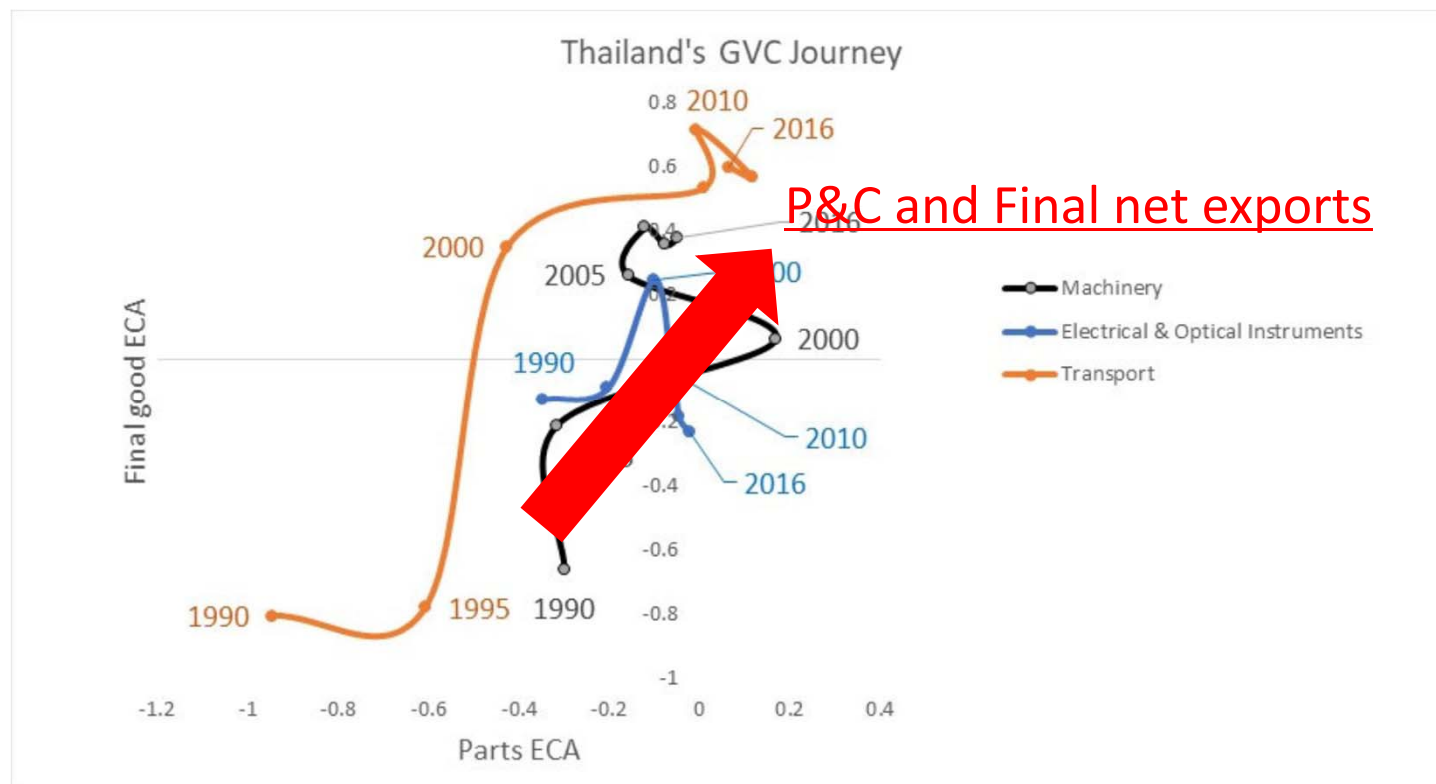


3 major patterns

# GVC diagram in Developed countries (type 1: Offshoring: P&C and Final imports)

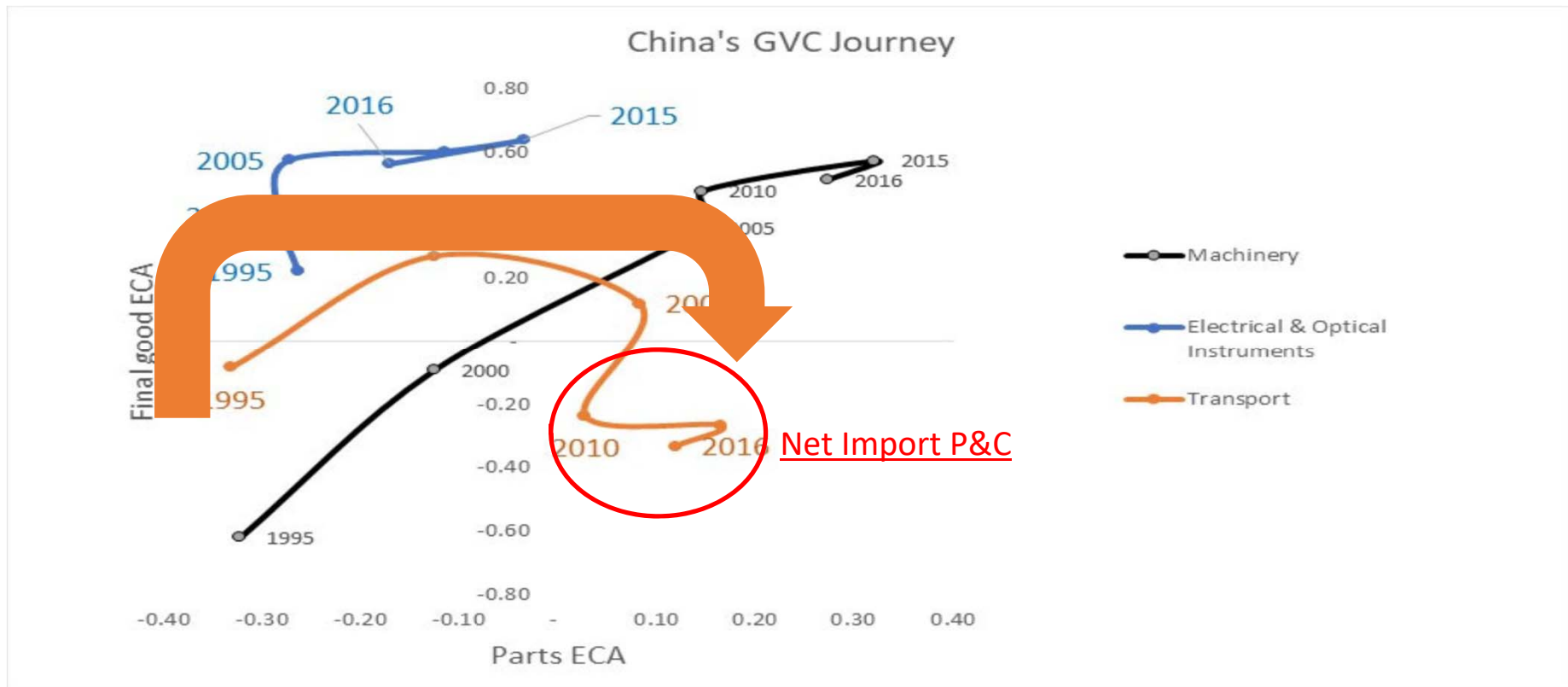


# GVC diagram in Asian developing countries (type 2: successful industrialization)



# China and Korea

(type 3: Industrialization to offshoring)





# Implication 1: Japanese technology trade

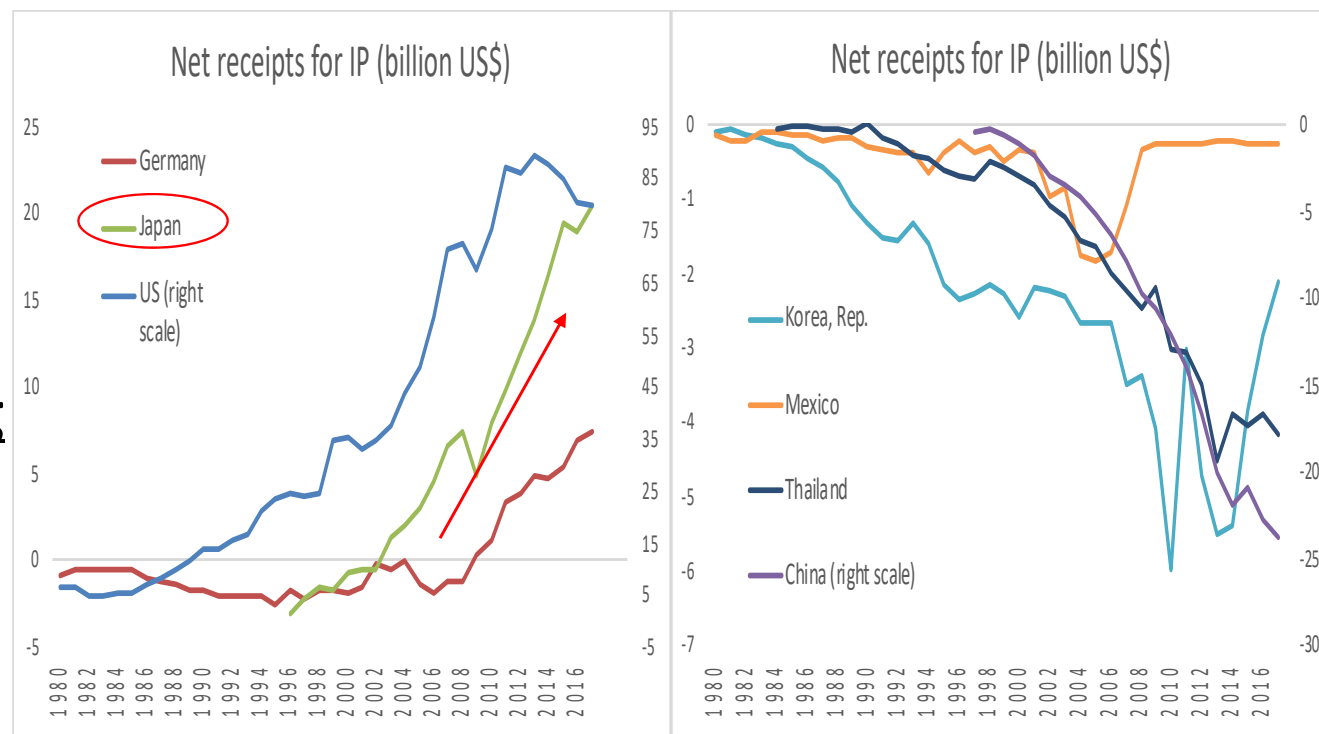
- Japan (and other developed countries) moves toward imports of both P&C and Final

- Trade deficit

- Technology trade surplus

- More Important technology and innovation.

**>JPN govt needs more spending  
on R&D and univ education**



## Implication 2: Reshoring in Japan(?)

- Offshoring (Hollowing-out) in Japan (and other developed countries)
  - “Lost decades” in Japan
- However, China and Korea gradually start offshoring in machinery sector
  - Start imports of P&C in transport machinery sec
- Japan might increase P&C exports to China and Korea
  - Stop offshoring in Japan
  - Come back job (job creation)
  - Good news for **Japanese regional development policies** (“Chihou Sosei” 地方創生)
  - In such a case, very advanced technology for P&C might be needed.

# Implication 3: Revolution toward new dimension

- Reshoring or offshoring in Japanese machinery industries might be an issue
- However, new dimension is coming soon: Beyond our “GVC journeys”.
  - 1) AI technology and automation
  - 2) Collaboration with IT service industries (telecommunication, retail, wholesale, etc)

## In the near future

- **Borderless** production process
  - Cannot distinguish “final” vs “P&C” or more production stages
- **Borderless** industries
  - Transport machine sector = car production + IT + services/retail + finance, etc
- **Borderless** production and task
  - Costless face to face (telework, collaboration software, etc)
  - Difficult to identify production/working places
    - No commuting and oversea task