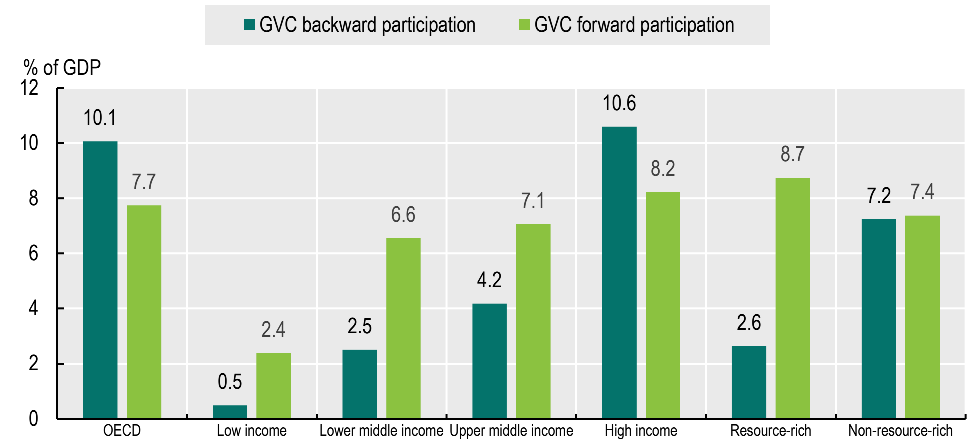
Africa's Development Dynamics 2022: Regional value chains for a sustainable recovery
STATISTICAL COUNTRY NOTE

OECD COUNTRIES

Global value chain participation and development

OECD countries' participation in global value chains, 2019



Note: Countries are classified as low income, lower middle income, upper middle income, and high income according to the World Bank Country and Lending Groups. Countries classified as "resource-rich" for this chart are countries for whom over 10% of GDP came from oil, gas, coal and mineral production for at least 5 years between 2010 and 2019.
Sources: Authors' calculations based on data from Casella et al. (2019), UNCTAD-Eora Global Value Chain Database, https://worldmrio.com/unctadgvc/.

A measure of the degree to which a country's production derives from integration into the global economy is its "forward" and "backward" global value chain (GVC) participation (see box). This measure tends to be related to a country's level of income, as well as whether it is a "resource-rich" country, or a country in which extraction of natural resources plays a major role in its economy.

OECD countries' backward participation accounted for 10.1% of the country's GDP while forward participation accounted for 7.7% of GDP. The rates of backward and forward participation most closely resembling that of OECD countries were found in high income countries, Romania, and United Kingdom.

What is GVC participation?

Global value chain (GVC) participation or integration is a measure of the proportion of the total value of a country's exports that is generated by global value chains. Total GVC participation is the sum of backward and forward participation. Higher income countries tend to have higher GVC participation due to higher levels of integration in the global economy.

Backward participation is the amount of a country's export value that comes from imported intermediate products. Higher income countries tend to have higher rates of backward participation as they tend to have a greater capacity to transform raw materials and input goods.

Forward participation is the amount of a country's export value that is added by national production and that is embedded in another country's exports. Countries, typically resource-rich and lower income countries, that are more focussed on exporting raw materials than manufacturing, tend to have more forward than backward participation.

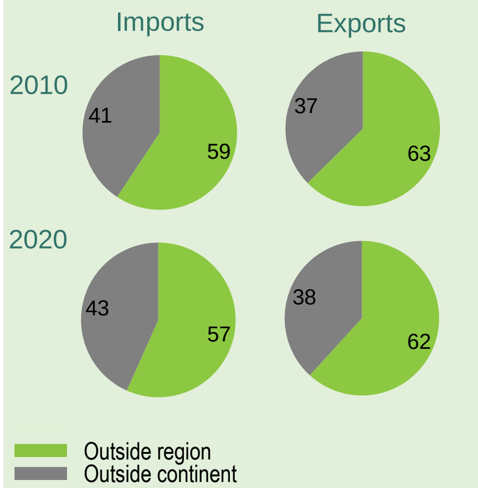
Industries in OECD countries with highest GVC participation, 2015

Electricity/machinery
25% of GVC

Oil/mineral products
20.1% of GVC

Transport equipment
12.3% of GVC

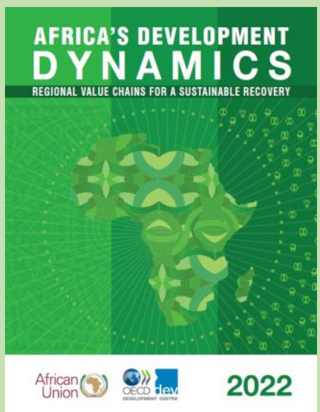
Origin and destination of imports and exports (% of total)



Key numbers for OECD countries

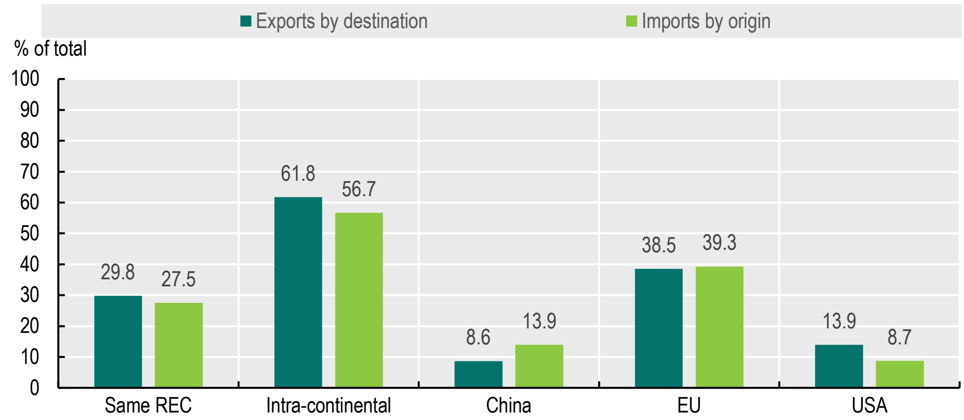
Growth per capita/yr, 2022-27	1.6%
Vulnerable employment, 2021	12.7%
Poverty rate (under USD 6.85/day)	3.4%
Frwd participation (% GDP), 2019	7.7%
Bkwd participation (% GDP), 2019	10.1%
Imports as % of GDP, 2020	27.4%
Exports as % of GDP, 2020	27.6%

The information presented here can be found in the 2022 edition of the publication *Africa's Development Dynamics*



Regional trade

Origin and destination for OECD countries' trade, 2019 (% of total)

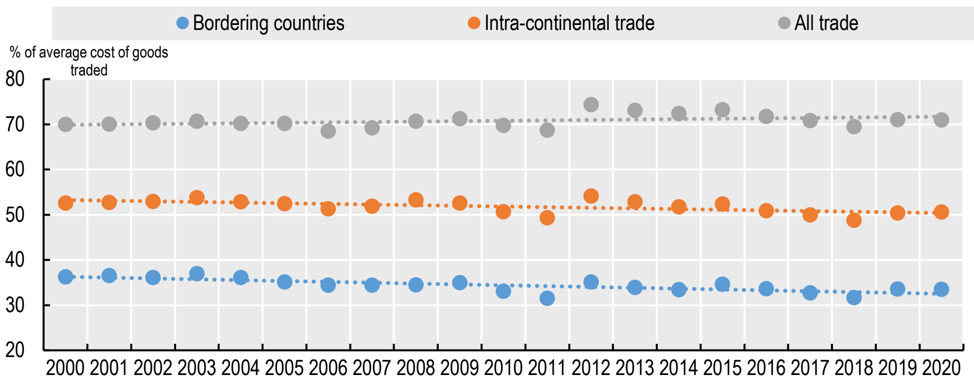


Sources: Author's calculations based on BACI International Trade Database at the Product-Level from CEPII (updated February 19, 2021).

Developing regional value chains will depend on the degree of trade integration between nearby countries. In OECD countries, 56.7% of imports and 61.8% of exports were intra-continental. This was higher than the world average of 55.9% for imports and higher than the world average of 56.8% for exports. Of OECD countries's intra-African trade, 48.5% of imports and 48.3% of exports were within the same regional economic community. Of the world's three largest traders, OECD countries's biggest trade partner was the EU.

Cost of trade

Average cost of trading manufactured goods, by type of trade partner, 2000-20

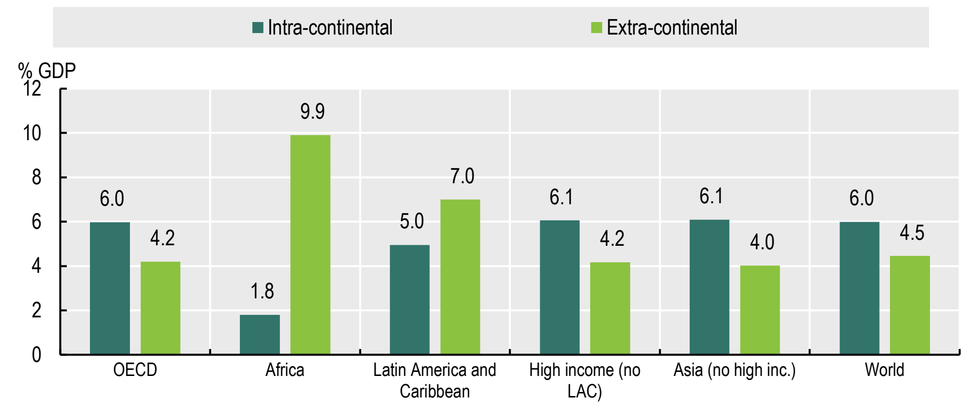


Source: Authors' calculations based on UN ESCAP/World Bank (2021), *ESCAP-World Bank Trade Cost Database*, www.unescap.org/resources/escap-world-bank-trade-cost-database.

Reducing trade costs is a key element of efforts to encourage trade integration and value chain development. The estimated cost of trading manufactured goods for OECD countries has been nearly constant since 2000. In the most recent estimate, in 2020, the cost of trading manufactured goods for OECD countries was, on average, 71% of the cost of the underlying good traded. The cost of intra-continental trade in manufactured goods was 28.7% less expensive than the overall average, and for trade with bordering countries, it was 52.8% less expensive.

Trade in intermediate goods

Intra-continental trade in intermediate goods, by group of countries, 2020



Source: Authors' calculations based on data from the International Trade Database at the Product-Level (BACI) developed by the Centre d'Études Prospectives et d'Informations Internationales (CEPII, 2020).

OECD countries' trade in intermediate goods, which is the core component of international value chains, was on average 10.2% of GDP in 2020, which was lower than the global average of 10.5%. OECD countries' intra-continental trade in intermediate goods was 58.7% of their total trade in intermediate goods, which was higher than the global ratio of 57.4%.

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For more information see: https://oe.cd/AFDD-2022