

# Typology of Global Production

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# Agenda

- Overview of global value chains
- Criteria for identifying economic activity
- Types of global production arrangements
- Potential issues
- Work plan

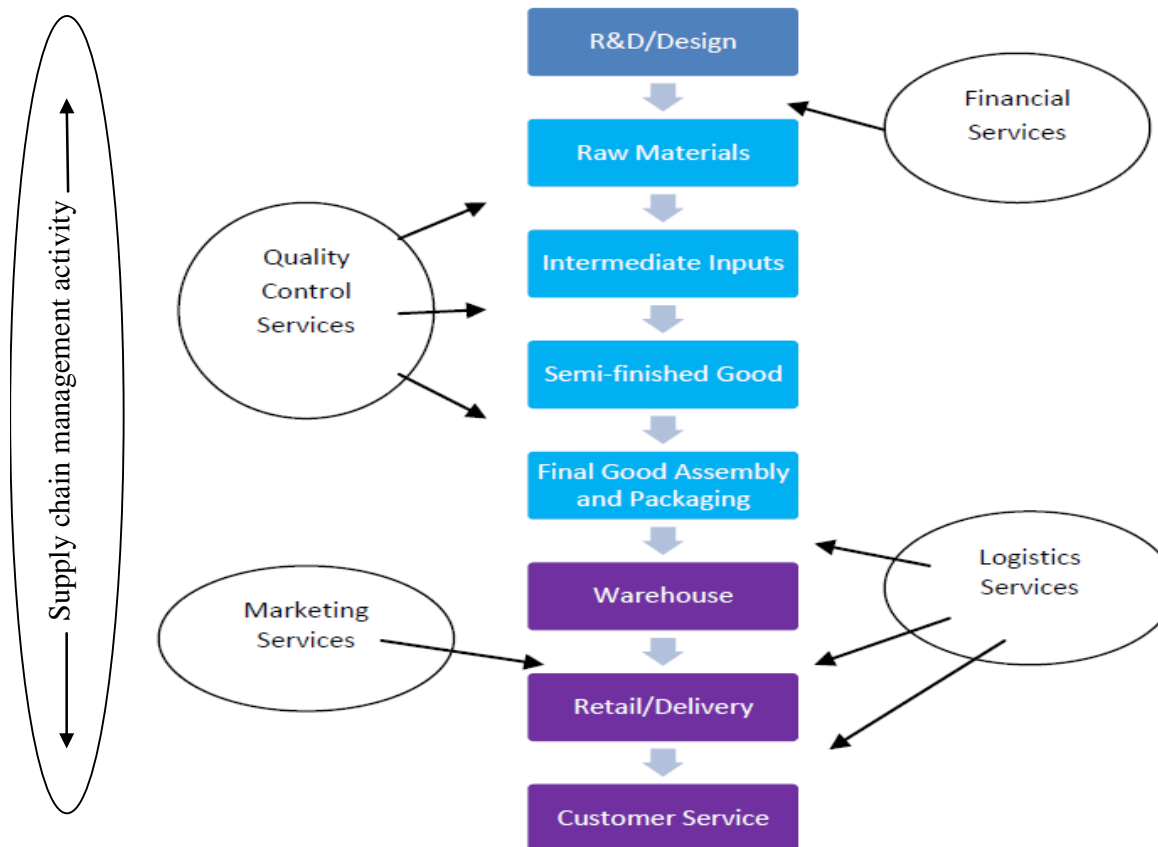


# Global Production Arrangements

- Global value chains
  - Fragmentation of production across borders
  - Initiated by lead entity, the principal
  - Principal exerts a certain amount of control over the process
  - Tasks may be performed by an enterprise's own affiliates or through independent contractors

# Simple Global Value Chain

FIGURE 1 Illustration of a simple supply chain



Source: U.S. International Trade Commission compilation



# Economic Ownership

- Economic ownership at each stage of production process important
  - Material inputs
  - Outputs
  - Intellectual property

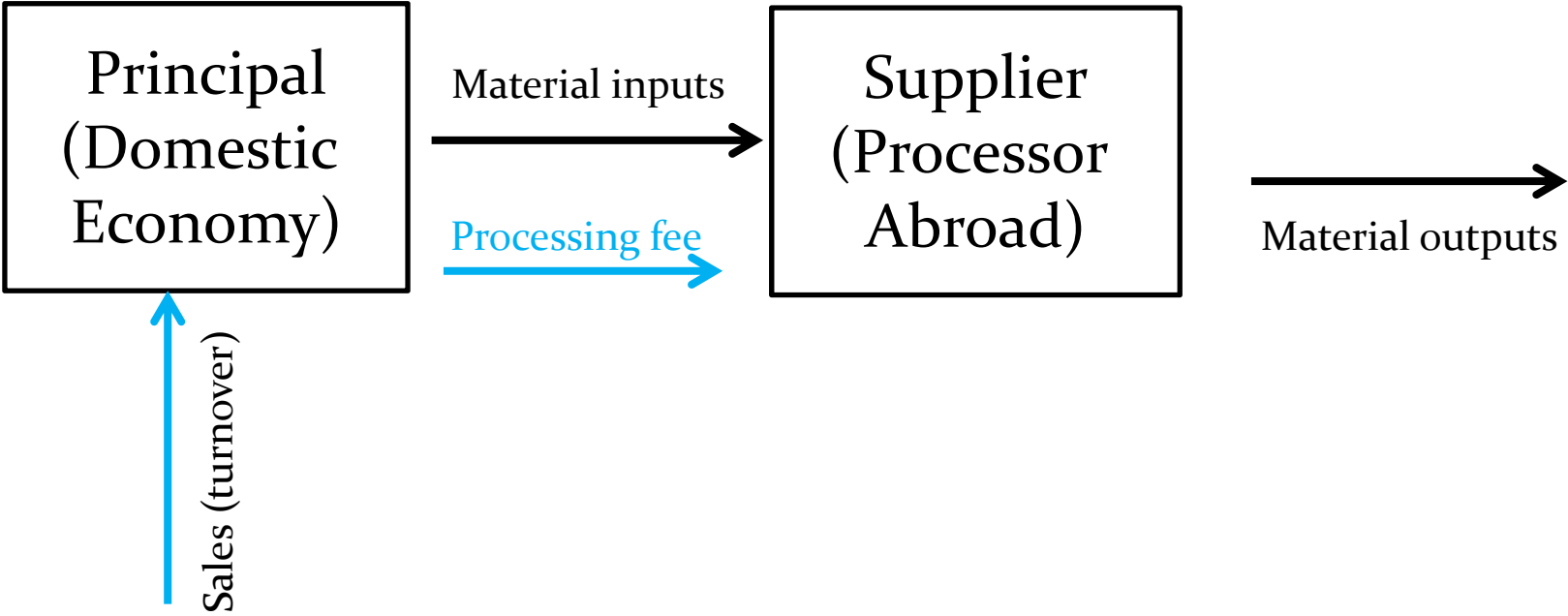
# Classification of Economic Activity

- Economic ownership of material inputs is decisive
  - If principal owns material inputs then principal is classified as a manufacturer
  - If principal does not own material inputs then is classified as a merchant (trader)

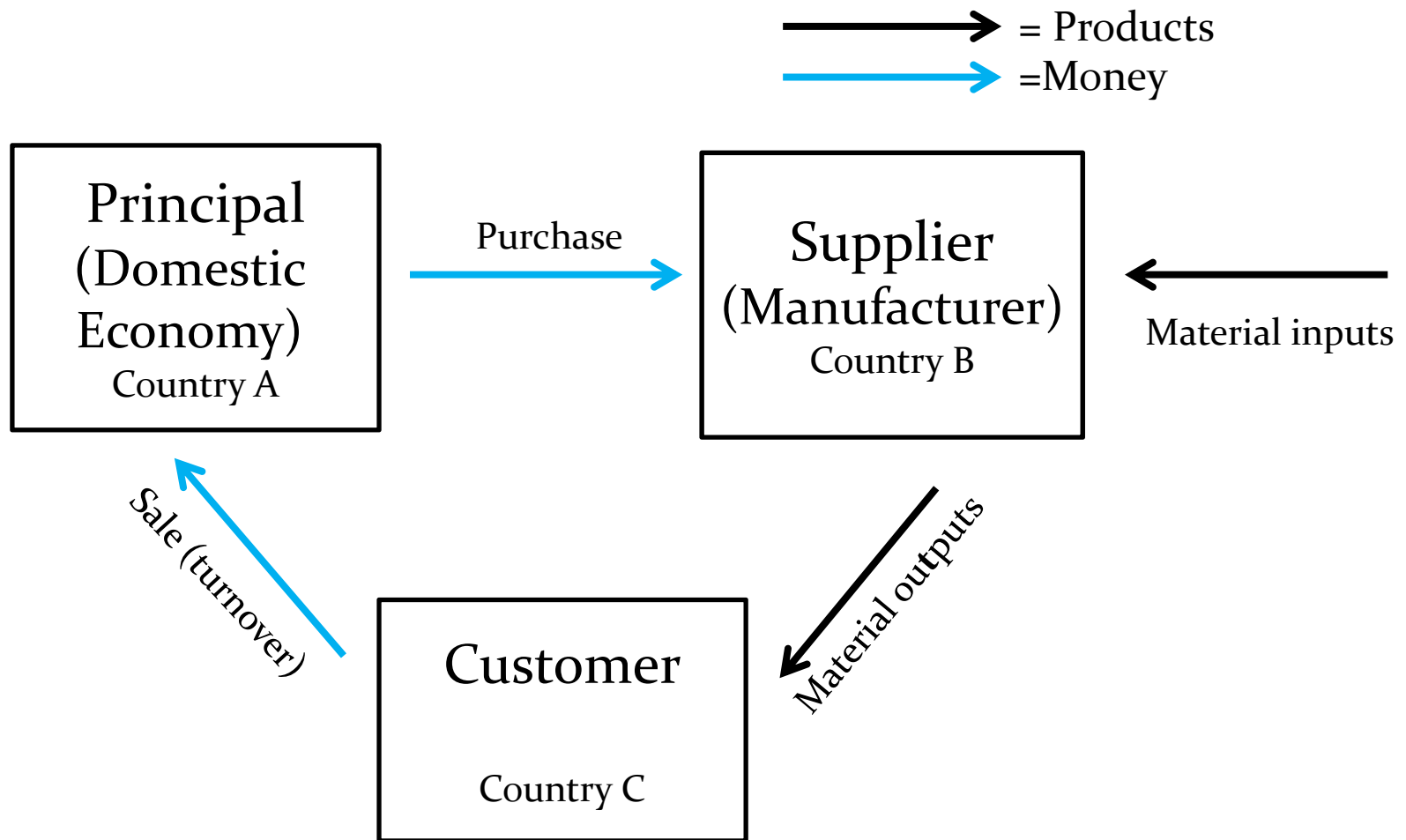
# Outsourcing Parts of Production Abroad

## Manufacturing services on physical inputs owned by others

= Products  
 = Money

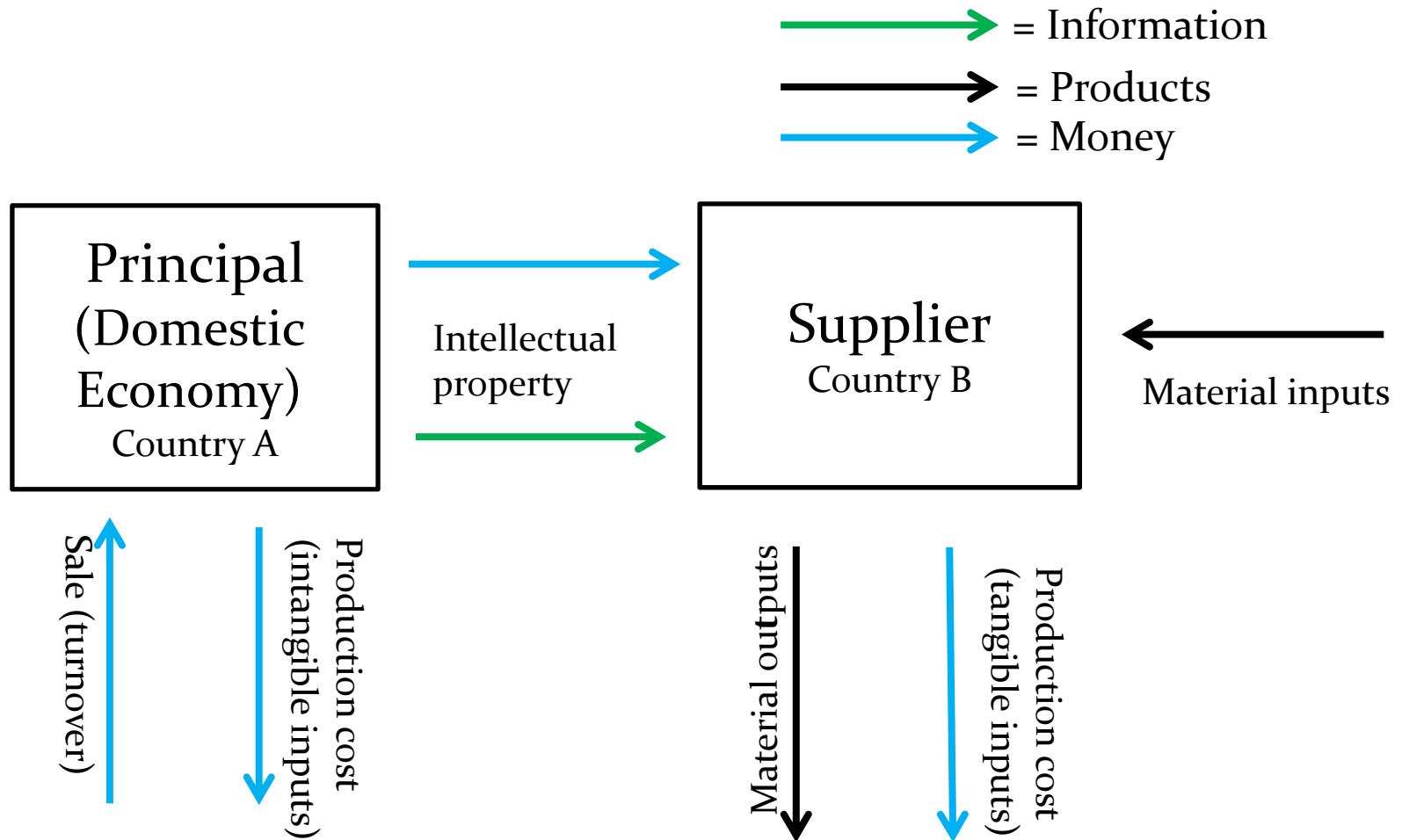


# Merchanting





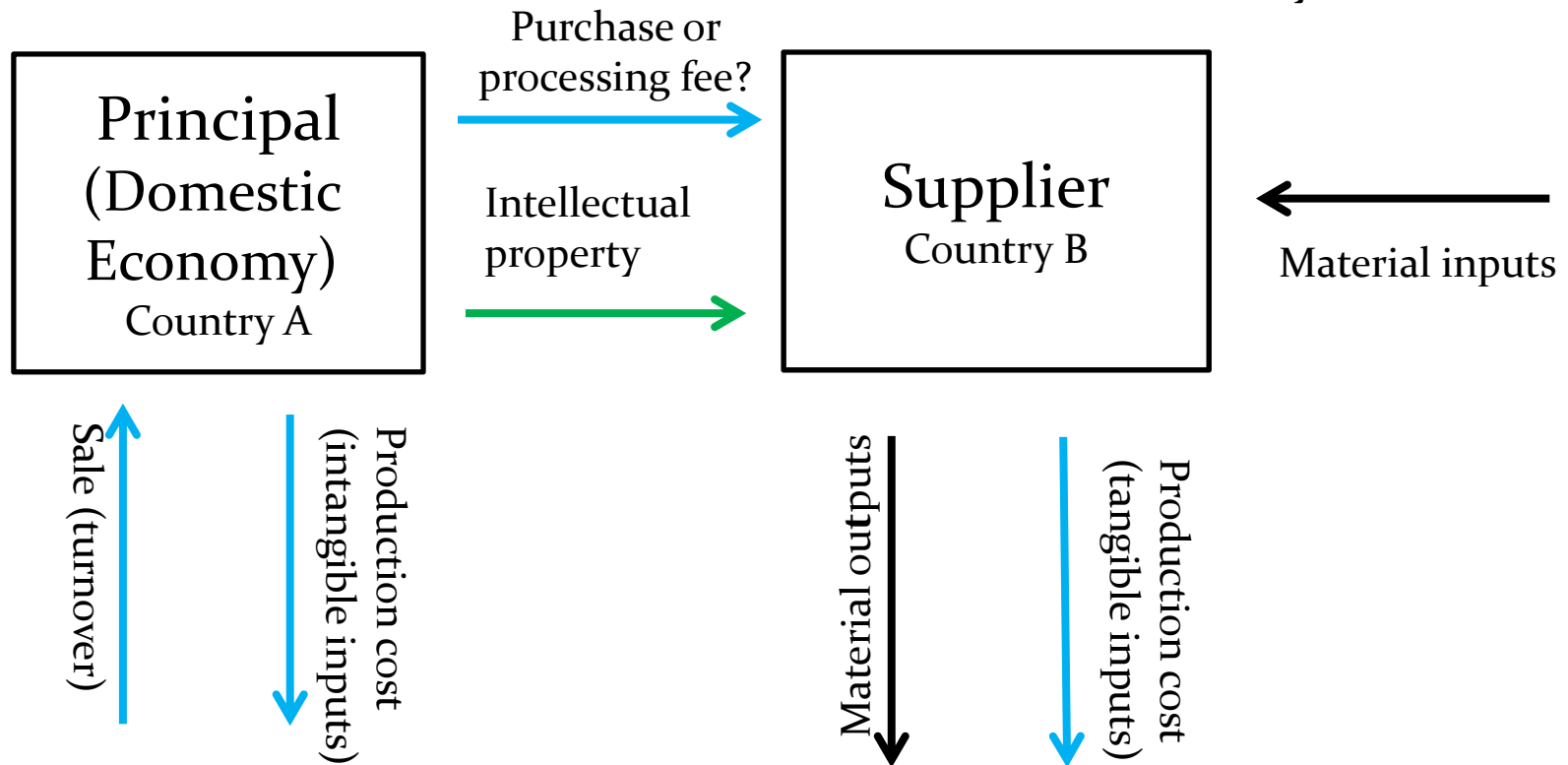
# Factoryless manufacturing



# Factoryless manufacturing

Ownership of inputs?  
Economic activity?

→ = Information  
→ = Products  
→ = Money





# Potential Issues

- May be difficult to determine economic ownership of material inputs, outputs, and intellectual property
- Strategic alliances and tight mutual relationships especially in the case of multinational enterprises



# Developing Typology

Three dimensions to global value chain arrangements (Gereffi, Humphrey, Sturgeon)

- Complexity of information and knowledge required (product and process specifications)
- Degree to which complexity can be mitigated through codification
- Extent to which suppliers have capabilities to meet buyers' requirements



# Governance Types

- Range from market oriented arrangements (principal exerts little control) to hierarchal (principal exerts full control)
- May be helpful in determining how much explicit coordination
- Indication of how much control the principal exerts and associated risk



# Work Plan

- Expand focus from global manufacturing to global production
- Create typology of global production arrangements
- Develop specific case studies of the various global production arrangements



# Discussion Question

- Factoryless manufacturers undertake the entrepreneurial steps of the global supply chain but do not transform any of the material inputs.
- Is it appropriate to classify these units as traders if they do not own the material inputs but own the intellectual property?