

GROUP 7

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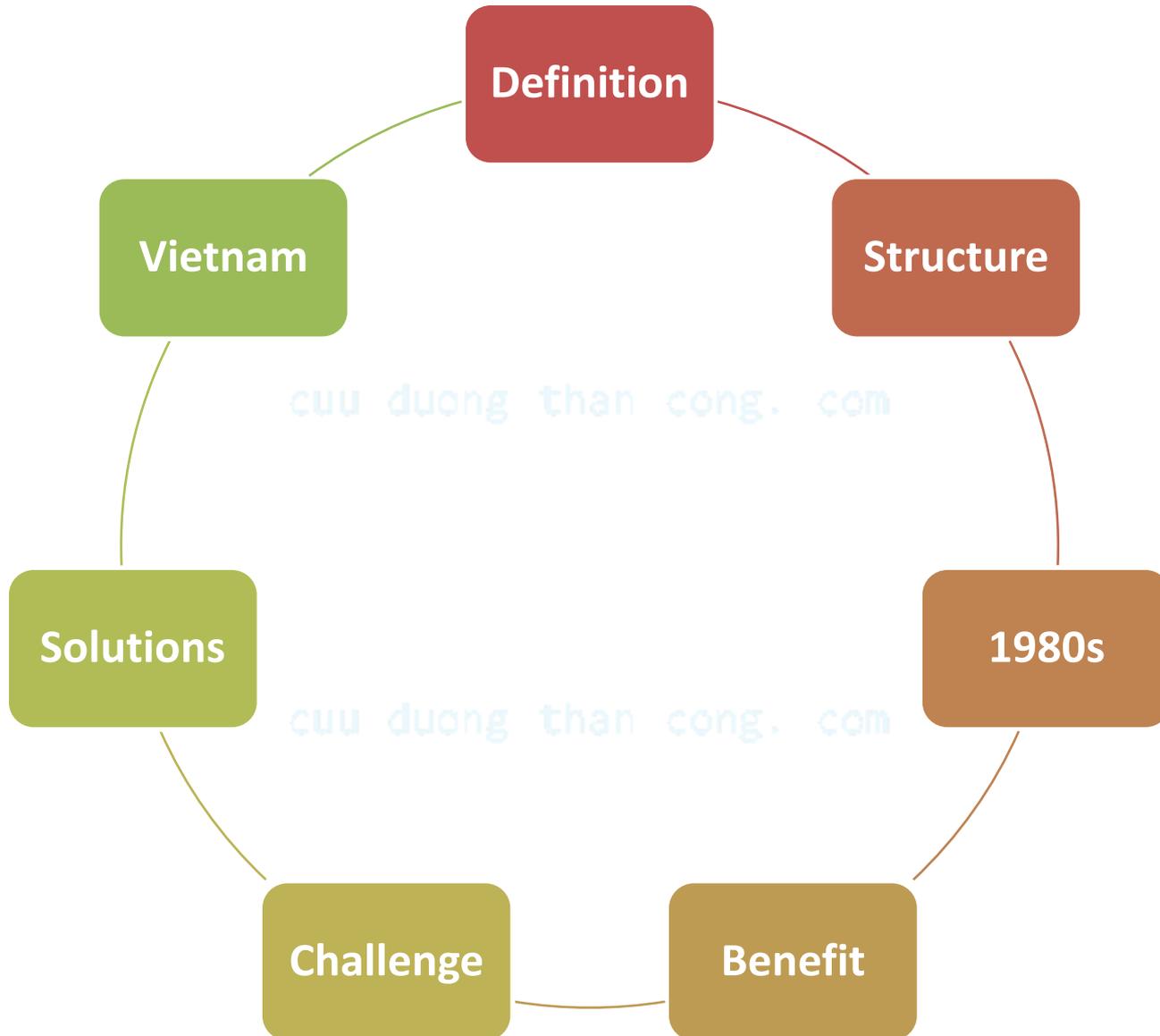
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GLOBAL PRODUCTION NETWORK

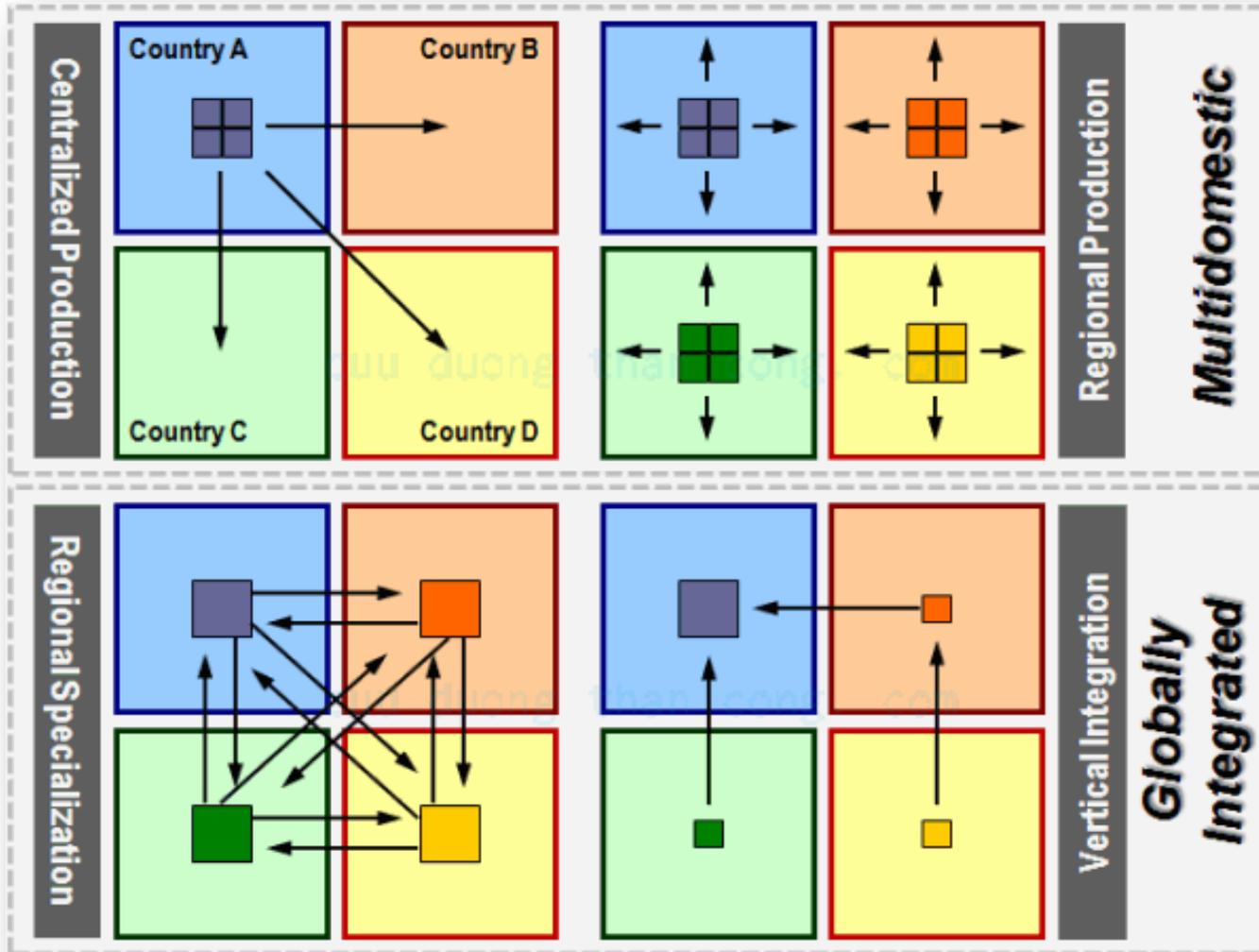
OUTLINE

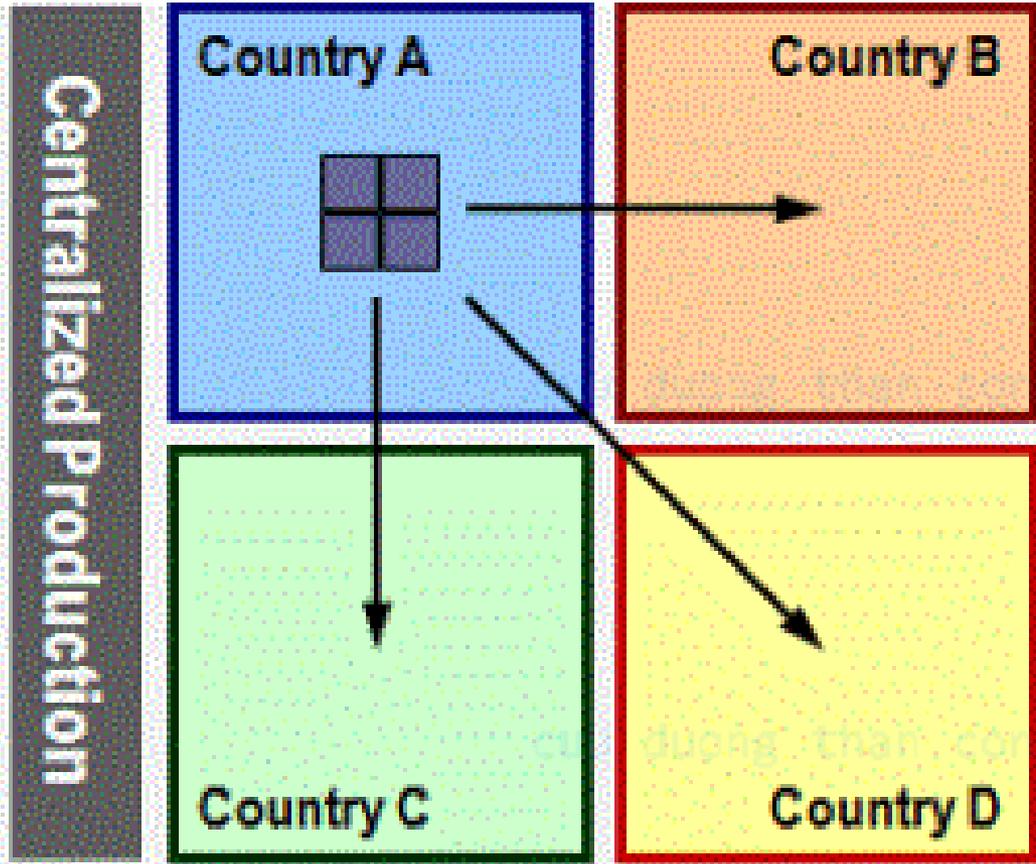


Definition

- The nexus of interconnected functions and operations through which goods and services are produced and distributed
- Integrate firms (and parts of firms) into structures which **blur traditional organizational boundaries**
- Integrate national economies (or parts of such economies) in ways which have enormous implications for such economies' well-being

Structure

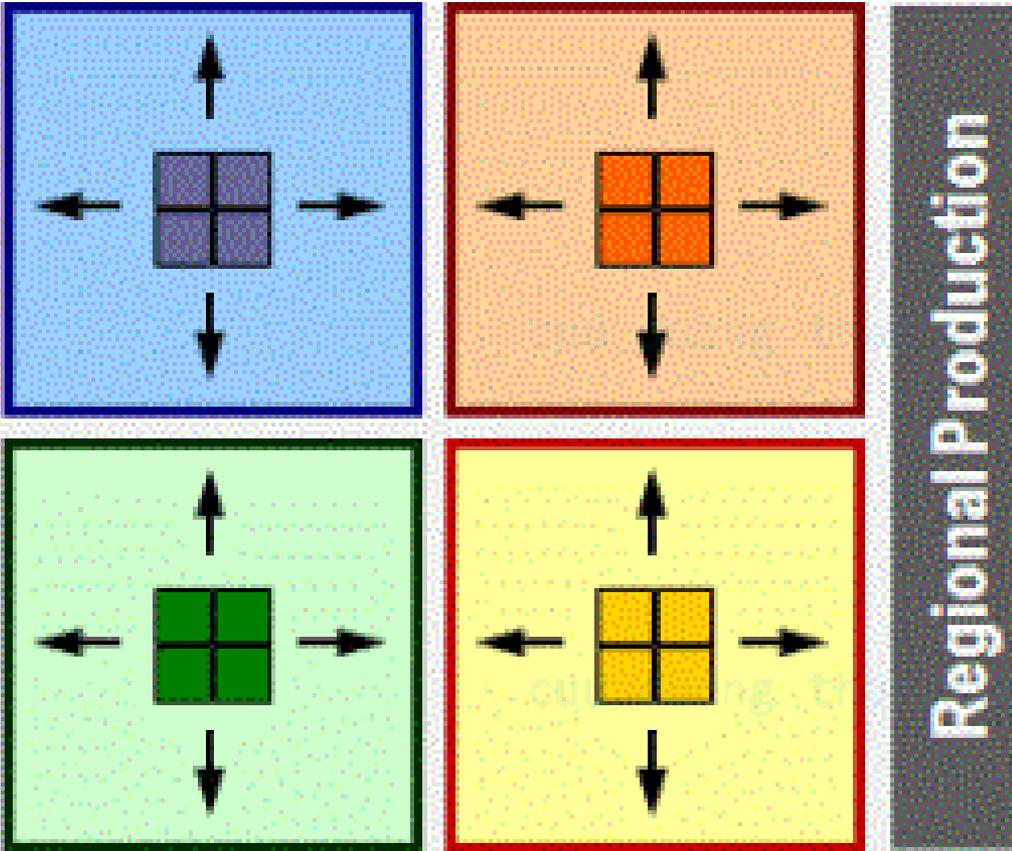




Occurs within only one nation (or region) and is exported on the global market

Features: activities that are difficult to relocate

e.g. luxury and craft



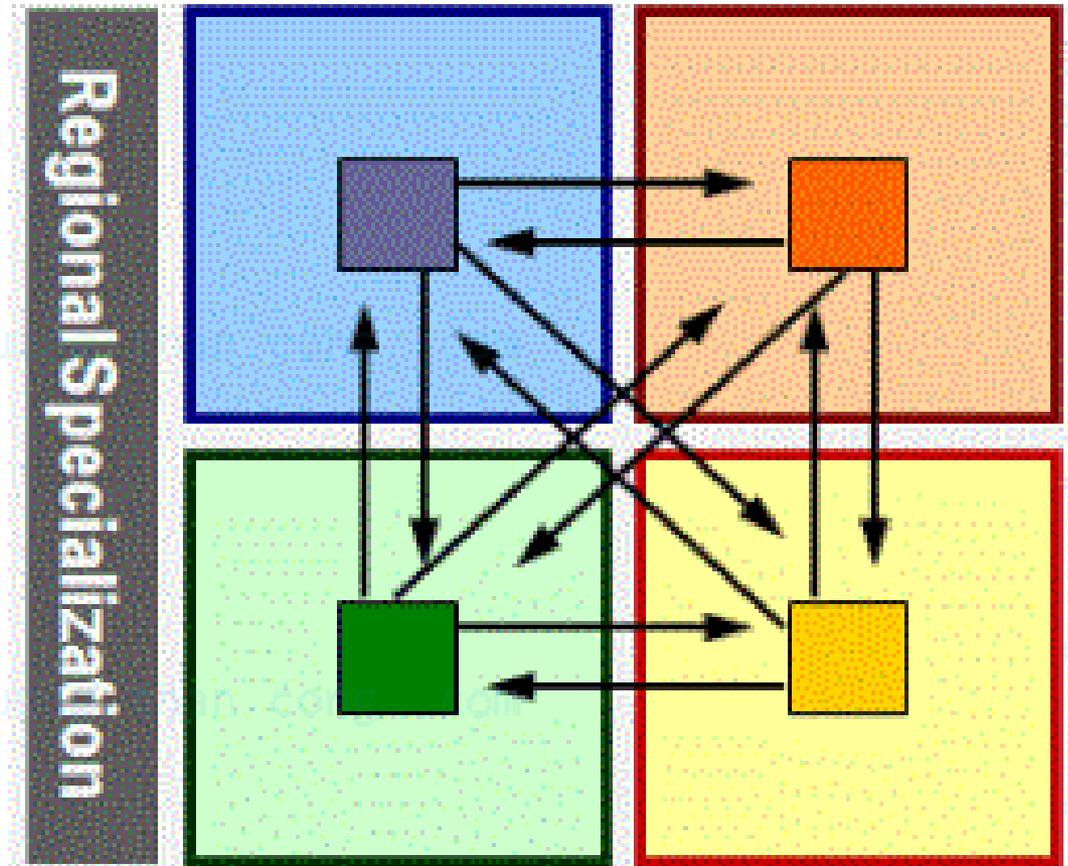
within each region that manufactures a good with the size of the production system related to the size of the regional market

depends more on a regional accessibility

e.g. soft drinks

involves a spatial division of the production based on the theory of comparative advantages

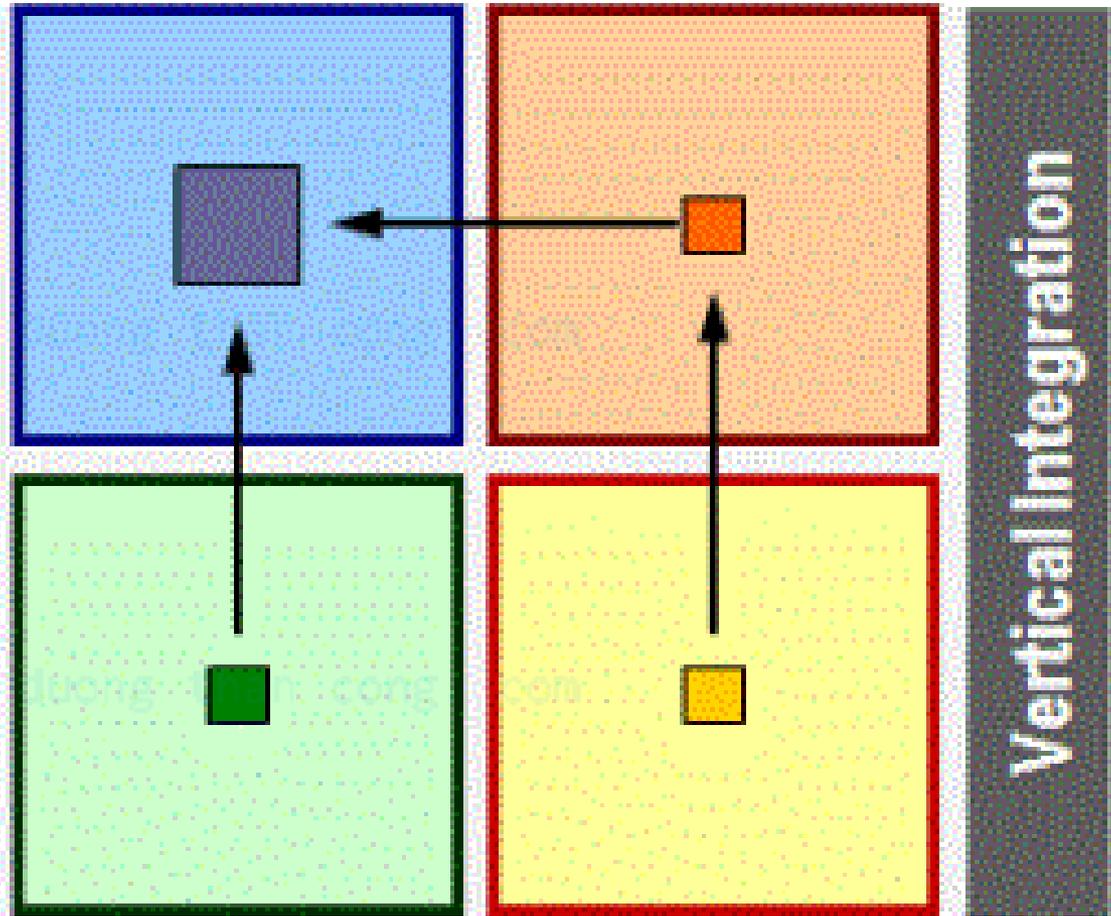
specializes on the production of a specific good and imports from other regions what it requires



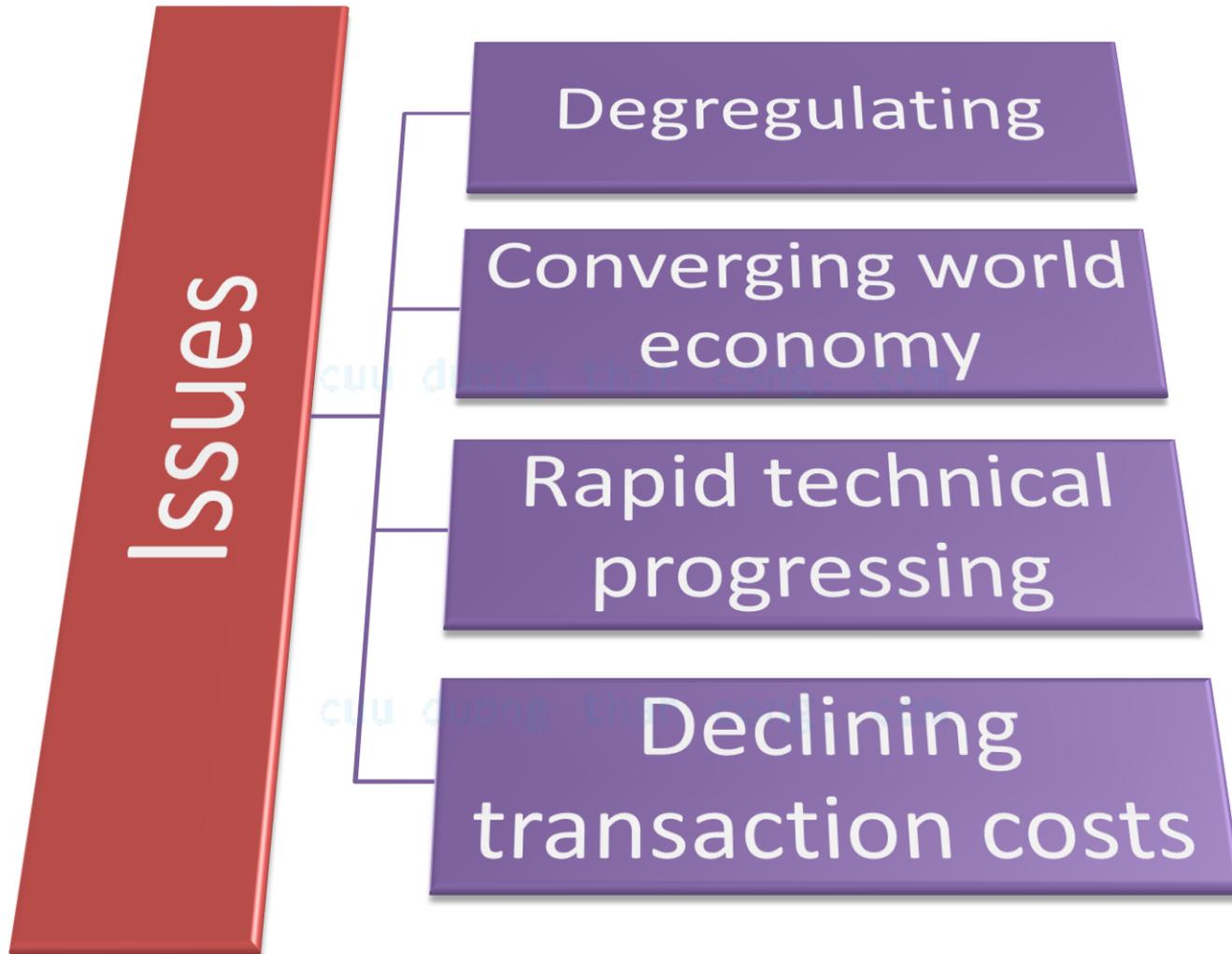
Different stages of the production occur at locations offering the best comparative advantages

Each production sectors has a different production network

e.g. automotive and electronics sectors



1980s



Benefits

1. Benefits in products' specialization and export
 2. Benefits in welfare gains
 3. Benefits in enhancing technology
 4. Benefits in job market
- Different stages of the production occur at locations offering the best comparative advantages.
 - Raw materials are extracted from locations where they are the most accessible, while assembly is performed in regions having low labor costs or high levels of expertise depending on the type of product or the stage in its manufacturing.

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Benefits

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E.g.: Costa Rica involved in producing semiconductors, medical equipment, auto-intensive economy in Latin America, replacing Chile, Costa Rica's share of exports in GDP was 43% in 2001 – the highest in the region.



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Medical Equipment Sales & Rental



Benefits

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When measured the welfare contribution of global buyers in Hong Kong by comparing two price indexes of the final products at the destination countries' markets: one includes costs of direct outsourcing to China for processing and for re-exporting ("direct index") while the other includes also the costs of employing trading houses services in Hong Kong ("inclusive value index"). When these two indices are compare the "inclusive value index" on average 16% lower than "direct index", showing the efficiency gains accruing to firms using the services of trading houses in transaction and information-search cost, which would otherwise arise when directly dealing with firms in China, further translate into welfare gains for all participants: lower prices for end-consumers and high returns for producers

Benefits

1. Benefits in products' specialization and export
2. Benefits in welfare gains
3. **Benefits in enhancing technology**
4. Benefits in job market

The most importantly is to get new skills, knowledge and technology- all considered as key factors for technology enhancement and growth.

Late comer firms from developing countries can exploit the advantage of the late arrival to tap into new technologies , rather than having to reproduce the entire previous technological trajectory

Eg: **A story behind DELL and ASUS**



Benefits

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Benefits

1. Benefits in products' specialization and export
 2. Benefits in welfare gains
 3. Benefits in enhancing technology
 4. Benefits in job market
- Creates many jobs in industry and service sector, provide their local employees training opportunities, improve their skills, the unemployment rate decreased.
 - E.g.: **Compal Electronics Groups in Vietnam**



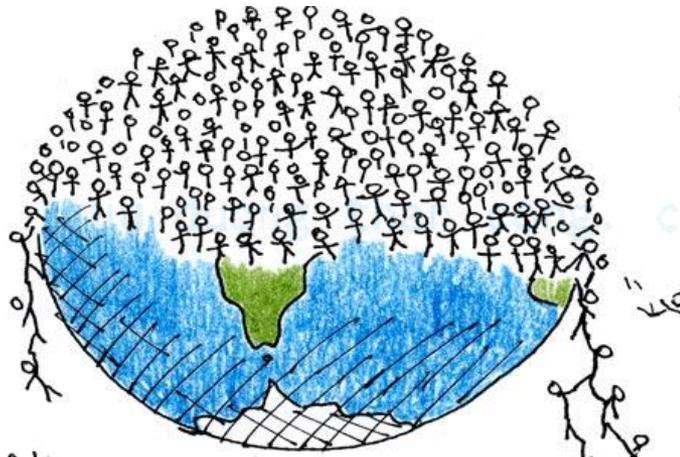
Benefits

1. Benefits in products' specialization and export
 2. Benefits in welfare gains
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- Samsung electronics Vietnam (SEV) established in 2008 with the initial capital of 700 million USD is the second biggest manufacturing plants of Samsung (second to Korea). In 2012, SEV supposes to supply 100 million products to the world. And the employees in this plant now is up to 15.600.



Benefits

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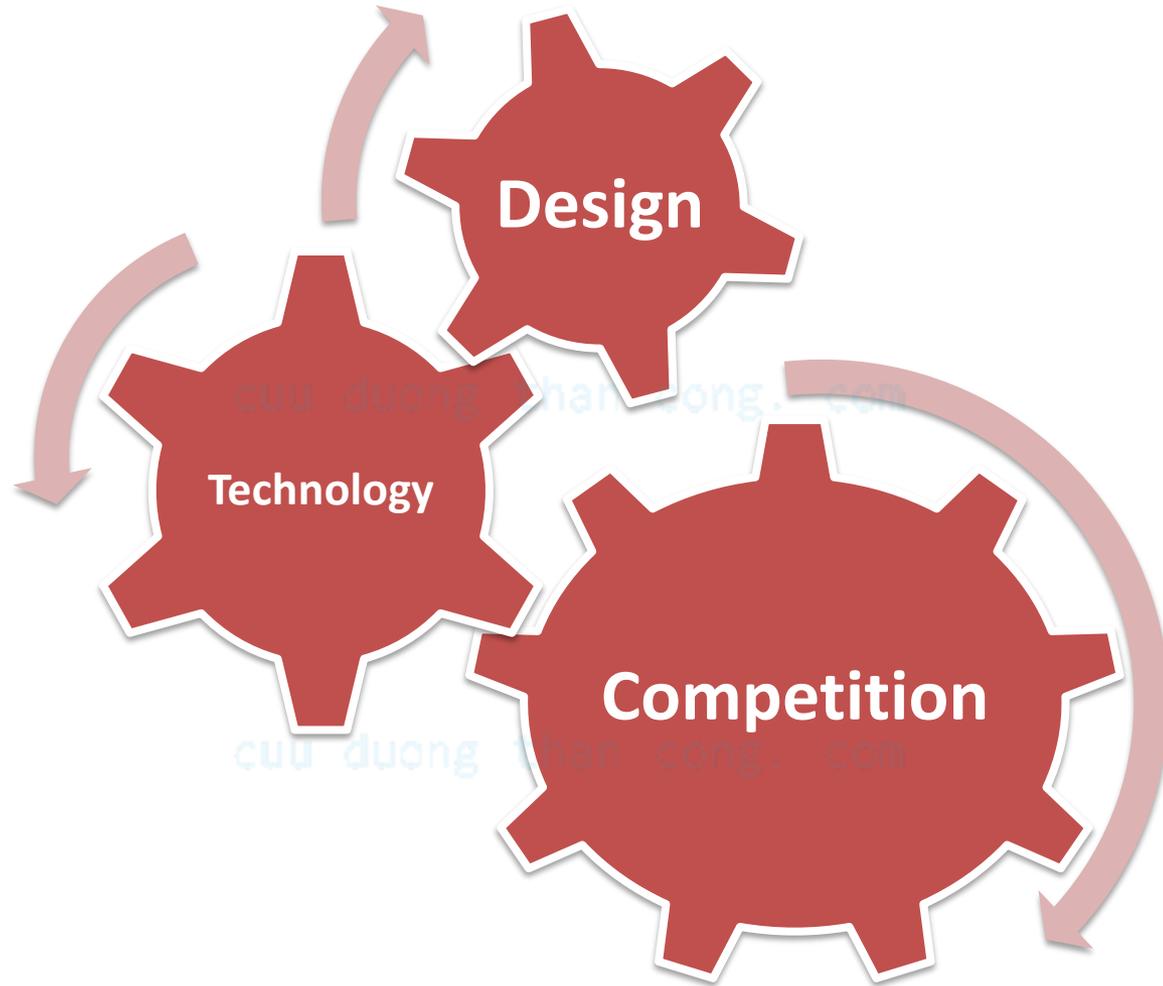


Hình 4: Thất nghiệp toàn cầu giai đoạn 2000 - 2010

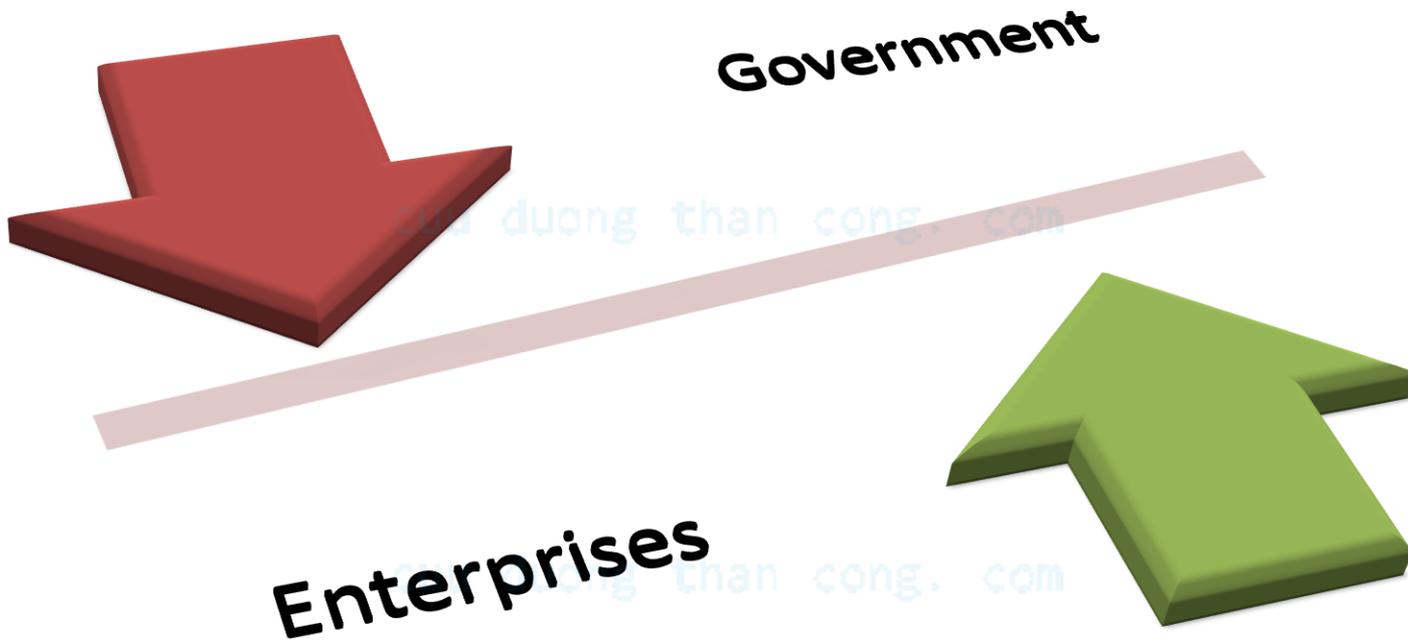


Nguồn: Tổ chức lao động thế giới (ILO), 2010*: Số liệu ước tính sơ bộ

CHALLENGES



SOLUTIONS



SOLUTIONS: government

Make adjustment for higher efficiency

New policy to encourage investment

Encourage investment into high technology

SOLUTIONS: enterprises

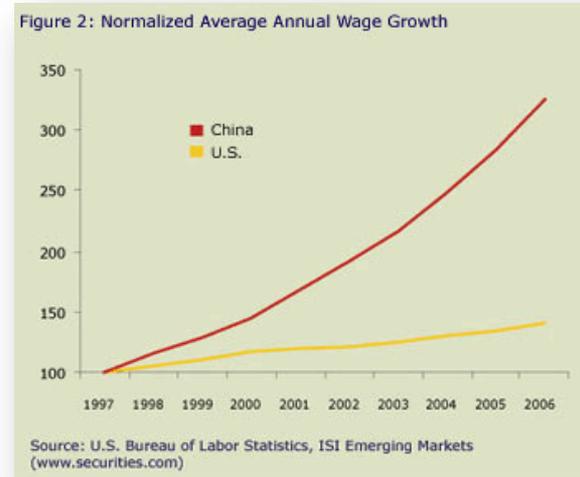
Actively participate in Global Value Chains

Promote joint venture activities

Improve the production facilities

Strengthen the value chain management

IN VIETNAM



- Because of tsunami in Japan, flood in Thailand and higher wage rate in China, Vietnam is now paradise to many foreign company who want to move their manufacturing plants. All famous brands like: Samsung, Canon, Foxconn,... have a branch in Vietnam.
- In the past, foreign investment project on Vietnam mainly focus on textile and garment. But now, with the spreading of GPN, Vietnam can expand to higher technology industry and services.





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Thank You

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