Economics 396
The Organization of Global Value Chains
Summer 2014

Instructor: Professor Ari Van Assche (HEC Montréal)   Classroom: TBD
Office: TBD   Time: MTWRF 10h30-11h35
Email: ari.van-assche@hec.ca   Office hours: TBD

Course Description
The organization of global production has changed fundamentally in the past few decades. Thanks to reduced costs of communication and transportation and other barriers to trade, many firms have sliced up their supply chains and dispersed their production activities across multiple countries into what are known as global value chains (GVCs). In this course, we will use both economics and international business concepts to analyze how global value chains are structured, to investigate how the economic environment affects their organization, and to discuss the implications for firm strategy and public policy.

Stated Learning Outcomes
• An understanding what global value chains are and why they have emerged.
• A comprehension how the economic environment affects the organization of global value chains.
• Insights into the implications of global value chains for trade and competition policy.

Requirements and Readings
• My Lecture Notes (PPTX)
• Selection of articles available online and in the library

Grading
There will be one midterm (30%), one comprehensive final (40%), one group case presentation (10%) and two homework assignments (30%). Exams are closed book and contain mainly short essay questions. No makeup exams unless due to your own medical emergency.

Note: Course schedule is subject to change. Changes will be announced in class.
SCHEDULE

Week 1: Introduction & the emergence of GVCs (5 lectures)

The objective of this section is to introduce the concept of a global value chain and to illustrate its growing importance in world trade. We will next evaluate which factors have driven firms to slice up their value chain and locate activities across the globe. Finally, we will discuss what the implications of global value chains are for measures of international competitiveness.

Background readings:


Week 2: From trade to goods to trade in tasks (5 lectures)

In a global value chains world, firms need to decide where to locate its various value chain activities. In this section, we will use the concept of comparative advantage to evaluate where companies should locate its various activities. Specifically, we will analyze how a country’s factor endowments and institutions affect its ability to attract certain value chain activities.

Case:

Background Readings:


**Week 3: NGOs and global value chains (4 lectures and midterm)**

Many companies that offshore value chain activities to developing countries have come under the scrutiny of NGOs. In this section, we will evaluate how NGOs’ actions affect the organization of global value chains. At the end of this week, the midterm will be held.

*Case:*


*Background Readings:*


**Week 4: Arbitraging tax and tariff differences (5 lectures)**

Companies organize their value chain in order to minimize both their tax and tariff burden. In this section, we will discuss the concept of transfer pricing and investigate how companies use this to minimize the tax they pay on profits. We will also analyze how companies change their production location and structure to circumvent tariffs and non-tariff barriers.

*Case:*


*Background Readings:*
Week 5: Distance still matters: the role of spatial linkages in GVCs (5 lectures)

Since transportation costs and costs related to time continue to matter, global value chains are regional rather than global. In this section, we will evaluate which factors continue to force firms to agglomerate value chain activities close to one another.

Case:


Background Readings


Week 6: GVCs and Economic Policy (4 lectures and final exam)

In this final section, we will discuss how global value chains requires policymakers to revisit trade and competition policies.
**Case:**

**Background Readings:**