UPSC 2021 Preparation
World Development Report 2020

The World Bank publishes the World Development Report (WDR) annually. It has been published since 1978. The latest world bank report is the World Development Report 2020 that focuses on the trading for development in the age of global value chains (GVCs.) For the IAS Exam, the key findings of WDR 2020, the meaning of GVCs and India's performance with GVC participation are important for prelims and mains (GS 2, GS 3) exams.

Brief about World Development Report	
Who publishes the World Development Report?	World Bank
When is the report published?	Once every year
When was the first World Development Report published?	1978
Latest World Development Report	WDR 2020
Other reports published by the World Bank	• Ease of Doing Business • Global Economic Prospects

The World Development Report 2020 is one of the important international organization' reports.
Aspirants can read similar important international reports from the links given below:

1. World Economic Outlook
2. Global Wage Report
3. World Employment and Social Outlook
4. World Investment Report
5. Global Financial Stability Report
6. Global Competitiveness Report

Key Findings of the World Development Report 2020

The World Development Report mentions the rise of Global Value Chains (GVC) and its role in boosting growth, creating better jobs and reducing poverty. Let us understand what GVC is.

GVC – Global Value Chain

It is a break-up of the production process across the countries. For example, one final product goes through value-addition in different offshore locations in place of getting fully manufactured in one place. This is how countries are not only trading goods and services but also know-how. GVC leads to the integration of know-how of lead firms suppliers of key components along the stages of production and in multiple offshore locations. The main and distinguishing feature of GVC is the inter-firm flow of know-how.

Importance of GVC

1. It promotes growth productivity.
2. It helps in creating more jobs.
3. It helps in boosting standards of living.
4. It promotes the trade of skills and technology leading to growth in countries at a much faster rate.
5. With increased productivity, employment is generated with the help of GVC.
6. The trade of know-how in different sectors like agriculture, manufacturing, and services lead to growth across industries.

Disadvantages of GVC

1. It is harmful to the environment – Transportation leads to higher carbon dioxide emissions, and packaging of goods leads to an excess of waste (in electronics and plastics especially.)
2. It puts a stress on the natural resources – Any trade if accompanied by production or energy subsidies promotes excess production that further leads to depletion of natural resources.

How national policies can boost GVC participation

1. Countries' Foreign Direct Investment (FDI) related policies can remedy the scarcity of capital, technology and management skills.
2. Small domestic markets can benefit from trade liberalization at home and negotiations in trade liberalization abroad.
3. Reforms in transportation and communication infrastructure can bring benefits to remote locations of the countries.
4. Countries realizing the GVC participation determinants — Endowments, Geography, Market Size and Institutions can bring related policy changes to increase GVC participation.
    - Improving bank access
    - Reforms in labour costs
    - Empowering people with foreign skills
    - Better and deep trade agreements
    - Advance logistic services and ICT services
    - Governance reforms

The key findings of the WDR 2020 are:

1. Steepest declines in poverty are witnessed among those countries that became an integral part of the GVC. For example – Bangladesh, China and Vietnam.
2. The growth in GVC was rapid in the 1990s but since the global crisis of 2008, the GVC expansion has slowed:
    - Due to the decline in the overall economic growth
    - Due to the decline in the investment
    - Due to the slowing pace of the and reversals of trade reforms
    - Trade protectionism can hamper the evolution of GVC.

3. Two threats to labour-intensive, trade-led growth:
   - Arrival of labour-saving technologies
   - Trade conflicts among large countries
4. GVC drives employment, better standard of living, and reduced poverty:
   - Efficiency is enhanced by 'Hyperspecialization'.
   - Durability in the firm-to-firm relationship helps in better diffusion of technology and access to capital and inputs along the chains.
   - A 1 percent increase in GVC participation is estimated to boost per capita income by more than 1 percent, or much more than the 0.2 percent income gain from standard trade.
   - GVC leads to structural transformation in developing countries by driving people out of less productive activities towards more productive manufacturing and service activities.
5. High female employment – The percentage of women employed in firms related to GVCs is more than the ones employed in non-GVC firms. However, more women are found in the lower value-added segments than as the owners or managers.
6. Boost in trade – New technologies create both opportunities and risks:
   - These technologies favour trade and GVCs.
   - Innovation leads to new traded goods and services– substantiated by the fact that in 2017, 65 percent of trade took place in categories which did not exist in 1992.

World Development Report and India

1. Since different countries participate in Global Value Chains in different ways, India too has its own participation in GVC. It along with the US produce services that are being increasingly traded and embodied in manufactured goods.
2. India is one among the list of nations that have transitioned from limited manufacturing GVCs into advanced manufacturing and services GVCs.
3. India has seen an expansion of GVC in services. For example, ICT and business services sectors have rapidly expanded.
4. India is one among the nations where outward direct investments of firms have surged from 7 billion US dollars to 200 billion US dollars (Between 2000 and 2015) which makes a ⅓ of global GDP
5. In India, Indonesia, and Nigeria, firms with fewer than 10 workers account for more than 99 percent of the total.

For IAS 2021 preparation, candidates can refer to related links below:

UPSC Mains GS 2 Preparation Strategy	UPSC Mains GS 3 Preparation Strategy
Topic-Wise GS 2 Questions of UPSC Mains	Topic-Wise GS 3 Questions of UPSC Mains
Indian Economy Notes for UPSC	UPSC Notes PDF