



“A typical smile curve indicates that the greatest value is captured by upstream and downstream firms, located mostly in the developed countries. Concerns about tendencies of inequities have to be carefully integrated within circular economy and global value chain proposals.”

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### **Beyond global value chain: Towards a model of intersecting circular and creative economy**

Humanity is facing a double-edged sword. On the one hand, primary resources – most of them non-renewable – provided by nature is getting depleted at a rapid rate, causing concerns about their availability in the coming days. Studies show that global material extraction has grown to more than three times of what it was four decades ago (Schaffartzik et al., 2014), and shows little sign of slowing down (Wiedmann et al., 2015). It is further observed that the world generates 2.01 billion tones of municipal solid waste annually, with at least 33 percent of that not managed in an environmentally safe manner (Kaza et al. 2018). On the other hand, aspiration for an increasing quality of life over time is in a quest for opportunities to produce and consume goods and services in larger quantities, if not of better quality, simultaneously.

Call for moving away from the traditional idea of take-make-use-dispose and engaging in circular economic production

practices is a step in the right direction as it would not only entail reduction in use of material resources, but also help reduce waste generated. The centrality of global value chain in the present global architecture of manufacturing, on the other hand, has opened opportunities to increased productivity by making use of efficiency that can be achieved through international division of labor. A meaningful complementarity that might be generated by superimposing these two ideas apparently can blunt both the edges of the sword hanging over the existential guarantee of human beings. The circular economy model would help reduce the use of material resources, recycle a large a part of it and also arrest the associated risk of waste generation. The reduction in resource use would be complemented by more efficient use of resources through the application of global value chains.

The seemingly win-win solution, however, is fraught with concerns. While the circular economy solutions identified are mostly technocratic in character, available evidences are not robust enough to adequately address the creation and dissipation of systemic and multidimensional value that spans the social, environmental and economic domains (Iacovidou et al., 2017). Simultaneously, global value chains are also alleged to contribute to growing inequality across the globe (Lopez et al. 2015). Investments to upgrade the skillsets of the low-skilled labor by promoting further tertiary education is a necessary condition to arrest the iniquitous tendencies of the global value chain. Moreover, at a country level, “Gains from GVC participation are not automatic. Benefits of GVCs

can also vary considerably depending on whether a country operates at the high or at the low end of the value chain” (OECD, WTO and World Bank Group (2014). Baldwin et al. (2014) observes a paradoxical pair of concerns between developed and developing countries, as have been shown by the idea of the smile curve conceptualized by Shih (1996). Stripped of its methodological details, a smile curve in global value chain identifies a propensity of relatively lower share of the global value created in developing countries that participate in the production network, compared to their developed country partners. A typical smile curve indicates that the greatest value is captured by upstream and downstream firms (located mostly in the developed countries), and the lowest value is captured in the middle of the value chain (located in developing countries) (Shin, et al. 2012).

The proposal to create a synergy between ideas of circular economy and global value chain has to be carefully integrated with concerns raised about the associated tendency of inequities. Investments – both physical and social – required to pursue a circular economy environment in the effective sense of the term may not be affordable to many developing countries with their own resources. Interest bearing assistance to meet the resource shortfall may lead to a threat of unsustainable state of indebtedness. A possible clue may be taken from the simultaneous efforts at developing creative economy that is evolving at a considerable pace. A creative economy lies at the interface between human creativity, ideas, culture, knowledge and technology. An UNCTAD

document records that the sector was one of the fastest growing in every region of the world (UNCTAD 2018). Being not enslaved to the quest for increasing returns to scale, the knowledge and culture intensive creative economic efforts will open up a competitive space for micro-small and medium scale enterprises to participate in the globalized mode of value creation, piggybacking on the emerging digital infrastructure that has the potential to considerably reduce the costs of transactions in a scale-free manner. It will also be easier to integrate the norms of circular economy in a more effective manner with a creative economy architecture without much of social, cultural and economic costs and pave the way for non-linearization of the existing system of manufacturing. We are all keen to achieve the Agenda 2030 that specifies the goal of “leaving no one behind”. Integration of circular and creative economy can take us to the goal faster.

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