Appendix One: Defining 'Global Value Chains'

In some respects, the term 'global value chains' can be thought of as a noun - a state of the world in which different stages of the value chain are scattered across the globe and inter-connected through complex production networks. This is in contrast to 'traditional trade' which is often thought of as a good being produced in one location to be sold to another. Or, multinationals operating global networks of branch plants which largely produce an sell in the same market.

In the same vein, 'offshoring' and 'outsourcing' can be thought of as verbs – as they imply the movement of activities from one location to another. But, this is only one method by which global value chains can be formed. A growing firm, for example, could simply create a new function in a location outside of its home country providing service to the rest of the organization, but without having move any work. It is also important to note that it is not a zero-sum process; that one location's gain does not necessarily come at another's loss. As that growing firm begins production at one location, evidence suggests that it is also very likely to expand production at other locations as well. This helps to reconcile why measures of offshoring show so few job losses at the same time that companies are expanding employment abroad.

Appendix Two: Glossary of Terms

An entire lexicon of new terminology has been created around the global value chain phenomena. Below are description of how these terms have been used in this report and a framework for how all of these concepts potentially link to global value chains.

Outsourcing – movement of activity outside of the firm. Often associated with services. An example would be of a firm that used to maintain its own janitorial staff now contracts out those duties to an external firm.

Offshoring – movement of activities outside of national boundaries. Can be within or outside the firm. Often associated with the relocation of an activity – total or partial closure of facilities or stopping a particular type of activity at a domestic location only to be replaced with a foreign location. For example a firm closes its domestic call centre and opens one in a foreign jurisdiction.

Offshore Outsourcing – Movement of activities outside of the firm and across national boundaries. Often associated with services. A combination of the above two phenomena. An example would be closing a domestic call centre and contracting those services to be performed by another company at a foreign location.

Inshoring – The receiving of offshored activity. Can be within or outside of the firm. For example, a call centre is closed at a foreign location and that activity is moved to a domestic location.

Nearshoring. Offshoring (outward) or Inshoring (inward) but to/from a location that is in close geographic proximity.

Activity or *Function* – is used to describe the stage of the value chain that is moving. Each stage of the value chain is an activity or function.