

has for policy. To date, little work has been done on this issue. Baldwin notes, for example that identifying winners and losers in a GVC context is increasingly difficult. It is no longer the case that competition from international trade is limited to labour-intensive sectors while higher-skilled positions and services go largely unaffected. Within a global value chain context the nature of the task itself determines its ability to be offshored. Blinder (2009), for example, estimates that based on the nature of the tasks performed that nearly one-third of U.S. jobs are potentially offshorable.¹⁶ As it becomes more difficult to identify which positions could be offshored, labour markets need not only focus on developing knowledge and skills but also a flexibility to adapt to a rapidly changing global environment. Furthermore, there will be political economy implications due to the increased difficulty for the winners from globalization to compensate the losers which may erode support for trade even if the gains remain positive or may have increased as argued by Gliberman. Probably the most significant policy implication stemming from the rise of GVCs and identified by numerous authors, including both Gliberman and Baldwin in this volume, is that comparative advantage will be determined at a much more granular level and that small policy differences may be becoming increasingly important.

For Canada, there are few studies that examine the potential policy implications of global value chains. Trefler (2006, 2009), for example, identifies few new policy issues but rather focuses on policy actions that would likely be considered as good ideas in any event, the rise of GVCs simply adds greater incentive to do them. These include, investing in education, opening markets, and removing distortions the reduce investments in productivity-enhancing machinery and equipment. The new policies identified by Trefler are largely limited to increased flexibility, for example the need for retraining for displaced workers or increasing the portability of pensions. He also discusses the need to protect intellectual property (IP) as well as enforcing health and safety standards. Dymond and Hart (2008) hypothesize about the potential impacts of GVCs for Canadian trade policy. They identify a number of areas where the rise of GVCs could have significant impacts on international trade, for example making rules of origin more important as inputs are increasingly sourced globally and on trade disputes as the country of export may play a relatively minor role in producing the good in question. They also identify global value chains as largely being regional value chains and thus put a great deal of focus on ensuring that trade between Canada and the U.S. operates efficiently in order to enhance the competitiveness of both countries internationally.

The theoretical basis for GVCs covered in the first section of this volume found that comparative advantage still applies, but is now more dynamic and applied at a finer level of detail. As a result, small policy differences may now be becoming more important. If that is the case, corporate taxes may be one area where the rise of GVCs could have an impact on policymaking. The "conventional wisdom" would likely be that higher tax rates that are not offset by (direct or indirect) productivity – enhancing public services make a location less attractive to investors, all other things constant. Bev Dahlby in his chapter "Global Value Chains, Foreign Direct Investment, and Taxation" finds that this "conventional wisdom" may not be as straightforward as one might expect. Making a link between trade theory and public finance he incorporates corporate taxes into a modified Grossman and Rossi-Hansberg (2008) trade in tasks model. The model shows that changes to home country tax rates can influence a firm's decision to offshore vs. outsource (that is the decision to perform an activity abroad inside the firm and involve foreign direct investments vs outside the firm) and that the impact of a tax change in one country

¹⁶ Of course that does not mean that they will necessarily be offshored.