Foreword by Pol Antras

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On 19 April 2017, international trade economists celebrated the 200th birthday of their field. The date marks the publication of David Ricardo's *Principles of Political Economy and Taxation*. Its landmark chapter 7, "On Foreign Trade," introduced the concept of comparative advantage to economics. In his famous example, David Ricardo demonstrated that it was in England's interest to exchange cloth for wine with Portugal even if English workers could produce both goods more efficiently than workers in Portugal could.

Although the concept of comparative advantage is as relevant today as it was 200 years ago, the nature of international trade flows has changed dramatically in recent decades. The information and communication revolution (and the attendant radical decline in the cost of processing and transmitting information at long distances), a wave of regional trade agreements in various corners of the world, and the fall of the Berlin Wall (which brought into the capitalist system hundreds of millions of workers) led to the disintegration of production processes across borders, as firms found it more profitable to organize production on a global scale. World production is now structured into global value chains (GVCs) in which firms source parts, components, and services from producers in several countries and in turn sell their output to firms and consumers worldwide. The typical "Made in" labels in manufactured goods have become archaic symbols of an old era. Today, most goods are "Made in the World."

The rise of GVCs has naturally captured the attention of international trade economists eager to bridge the apparent gap between the new characteristics of the international organization of production and the standard methods used to collect, manipulate, and interpret international trade statistics. In particular, a remarkable body of work has devised ingenious empirical methods to disentangle the value-added and intermediate input contents of gross bilateral international trade flows. It has also developed theoretical models for interpreting the new data and offering insights into the likely consequences of future trade liberalization episodes.

This report offers a superb overview of some of the key developments in this body of work and breaks new ground on the study of the rise of GVCs. I have spent the better part of my academic career thinking about the growing disintegration of production processes across countries, and yet the various chapters here have revealed a great number of new insights.

From the initial chapters that masterfully overview and document several empirical facts related to the participation of various countries in GVCs and their relative positioning within those chains, to the subsequent five chapters focused on specific topics, the report offers an enormous amount of food for thought. What are the consequences of the cascading effects of trade costs along GVCs? What is the role of GVC participation in escaping the middle-income trap? How does services trade complement and support merchandise trade in GVCs? What are the consequences of variation in institutional quality for the geography of GVCs? And how should one design trade policy in the new age of GVCs?

These are questions I feel much better equipped to answer after working through this fascinating report. I am sure it will be a very useful reference for academics and practitioners for years to come.

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