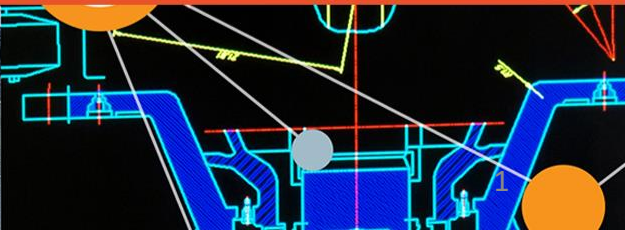




**Key Messages from the  
GLOBAL VALUE CHAIN DEVELOPMENT REPORT 2021  
BEYOND PRODUCTION**

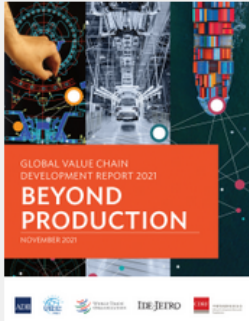
**Elisabetta Gentile**  
Asian Development Bank

Economic Commission for Latin America and the Caribbean, June 22, 2022




# Global Value Chain Development Report 2021: Beyond Production

Publication | November 2021



**This joint report explores the transformation of global value chains as they expand beyond manufacturing to services and intangible assets. It highlights opportunities for services-led development and discusses policy considerations.**

 Download (Free: 13.26 MB)

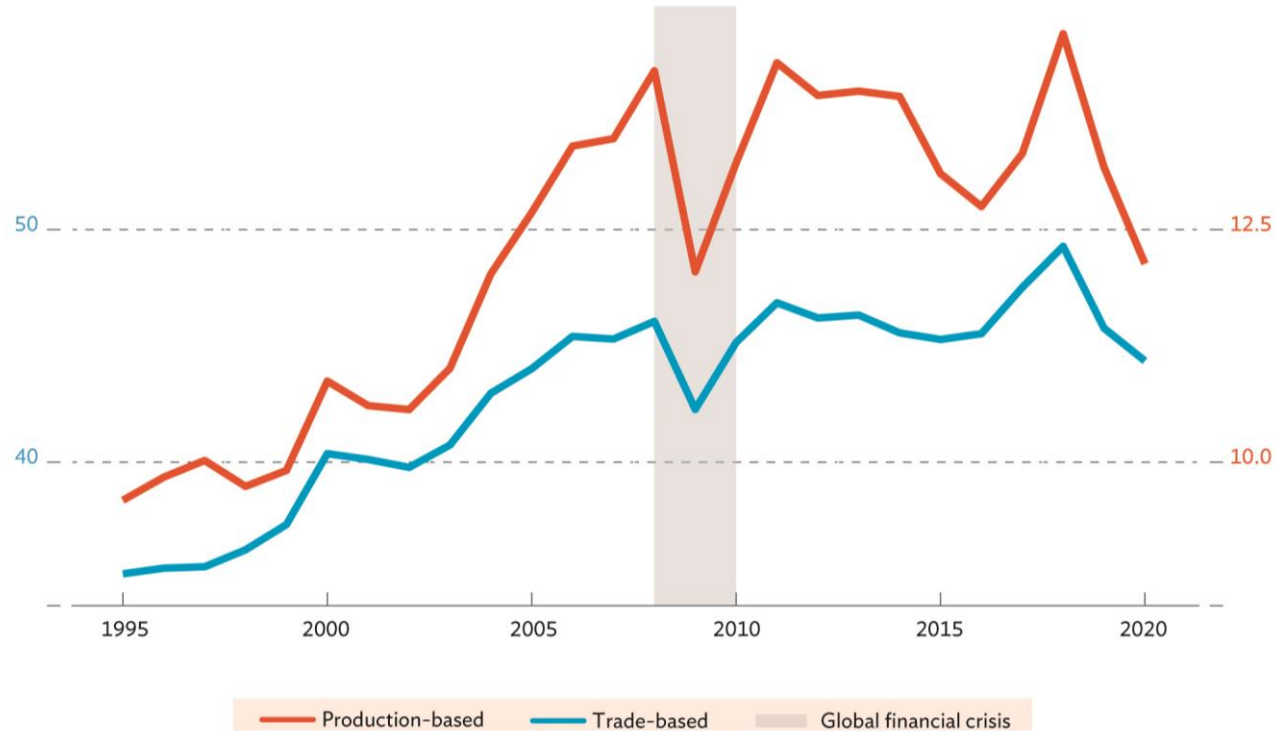
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<http://dx.doi.org/10.22617/TCS210400-2>

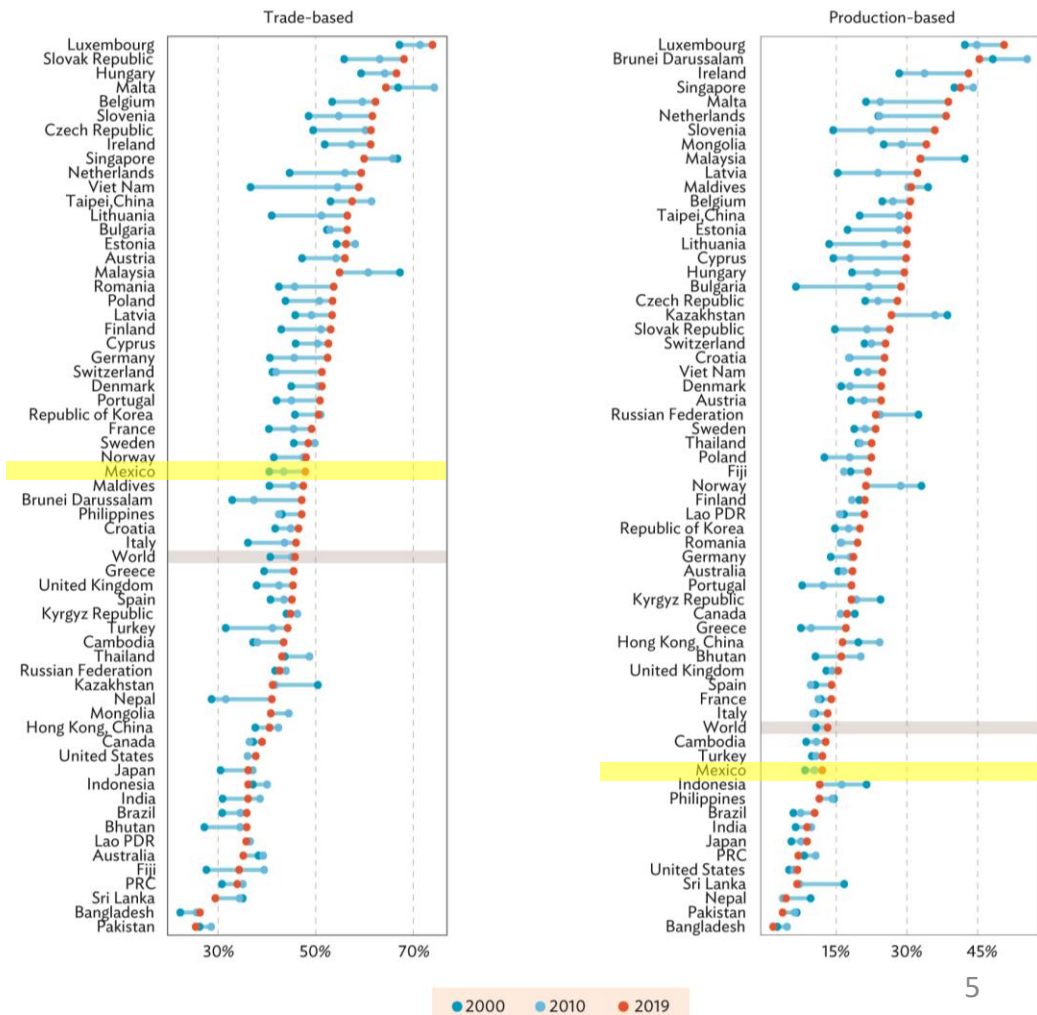
# Background – A collaborative approach

- 5 main partners (Asian Development Bank, Research Institute on Global Value Chains at the University of International Business and Economics in Beijing, World Trade Organization, Institute of Developing Economies – Japan External Trade Organization, and China Development Research Foundation)...
- ...contributed 6 chapters over a 2-year period from 2019 to 2021...
- ...based on 25 background papers from 20 research institutions in eight countries...
- ...to produce the 3<sup>rd</sup> edition of a biennial series.

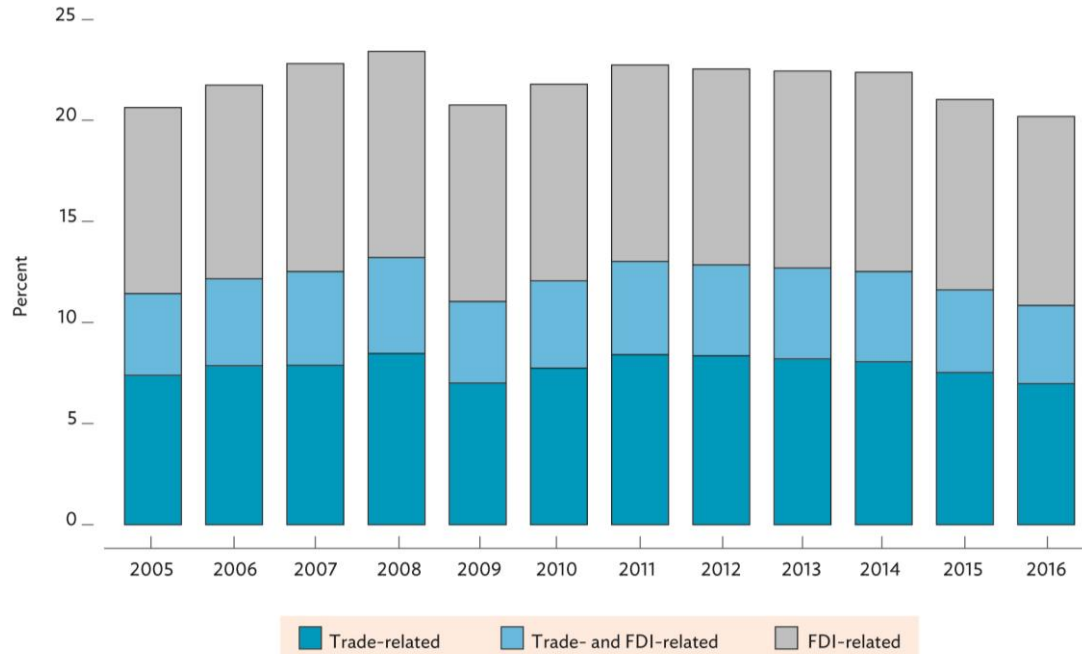
# GVC participation rates, World, 1995-2020



# Measures of GVC Participation, 2000, 2010, 2019

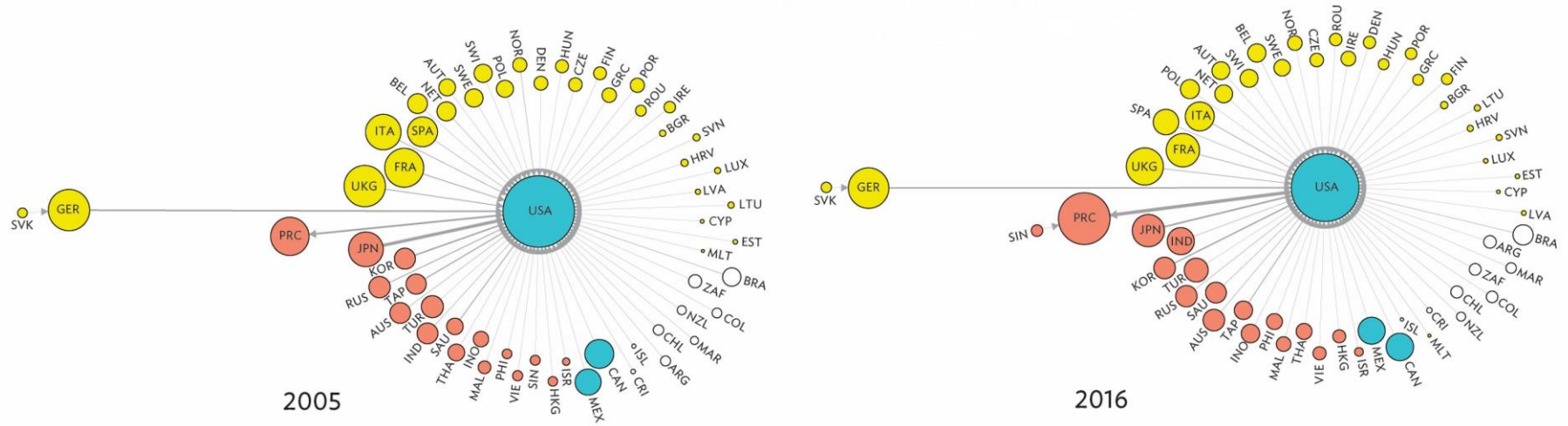


# GVC Participation with Multinational Corporations, World, 2005–2016

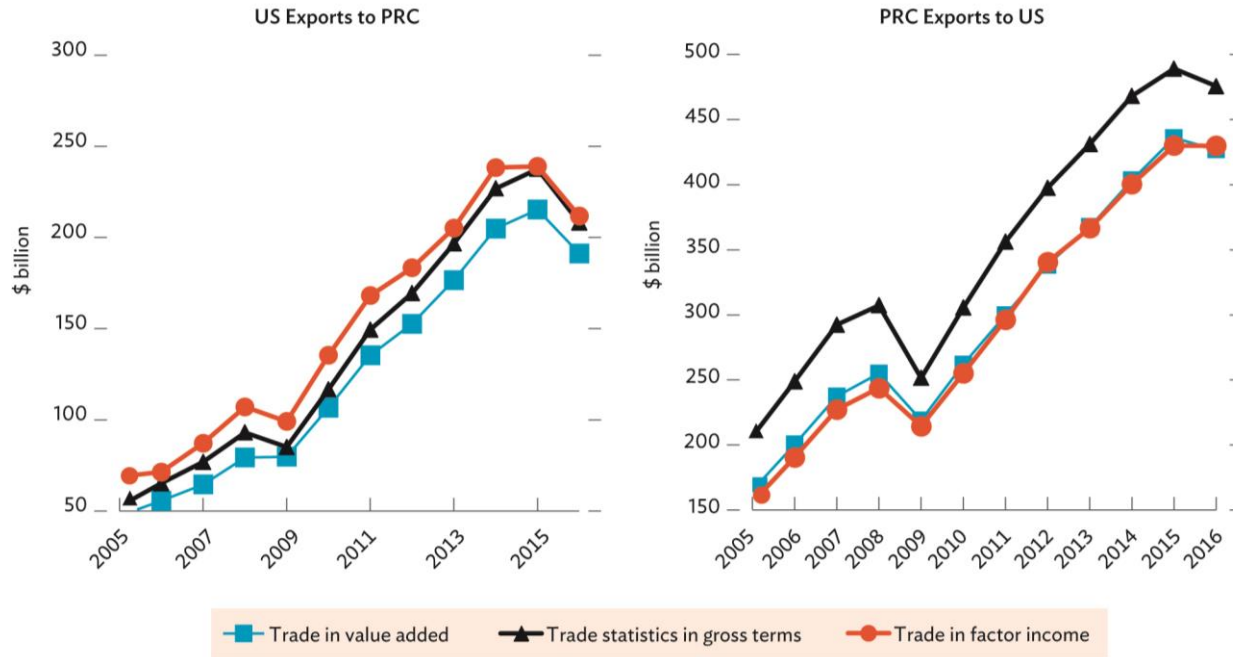




# Complex GVC Networks, Demand Perspective, 2005 and 2016

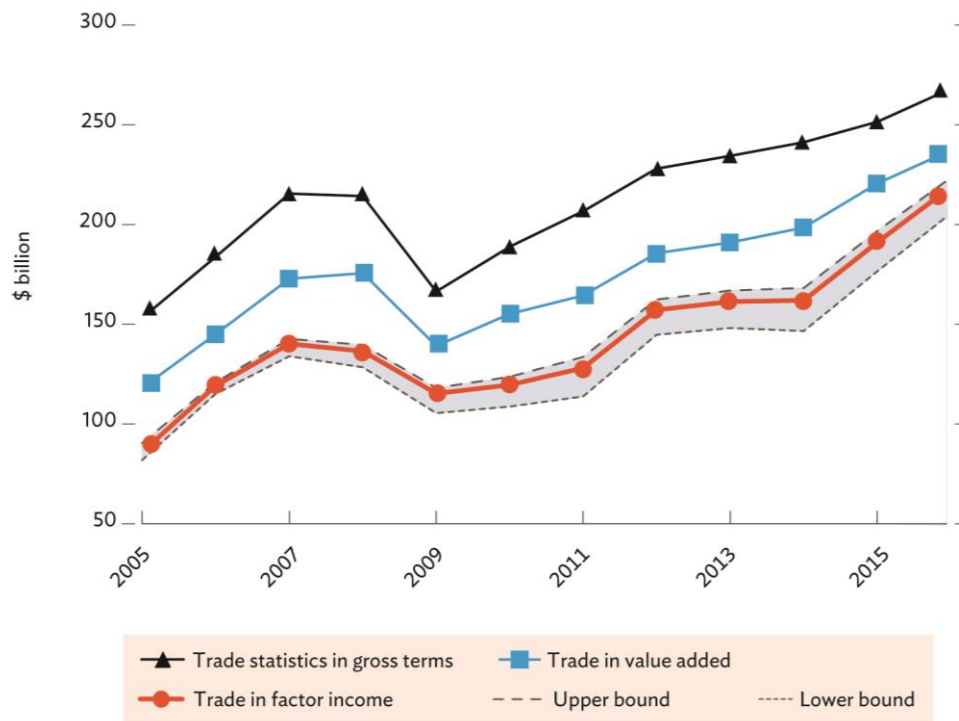


# Bilateral Trade between the PRC and the US by Three Different Measures, 2015–2016

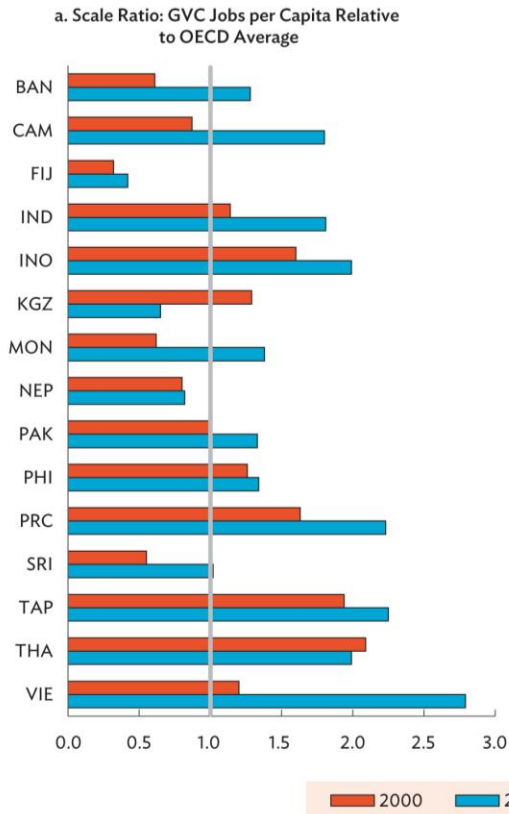




# Trade Surplus between the PRC and the US by Three Different Measures, 2015–2016

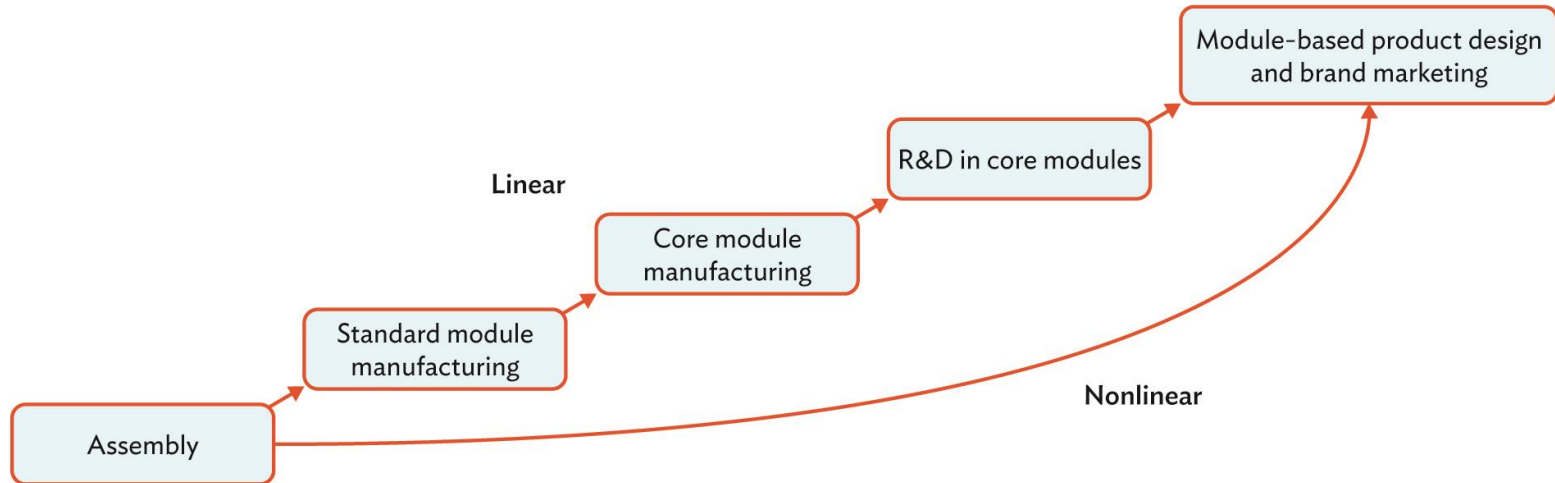


# Disaggregation of GVC Income per Capita in 15 Developing Asian Economies, 2000 and 2018



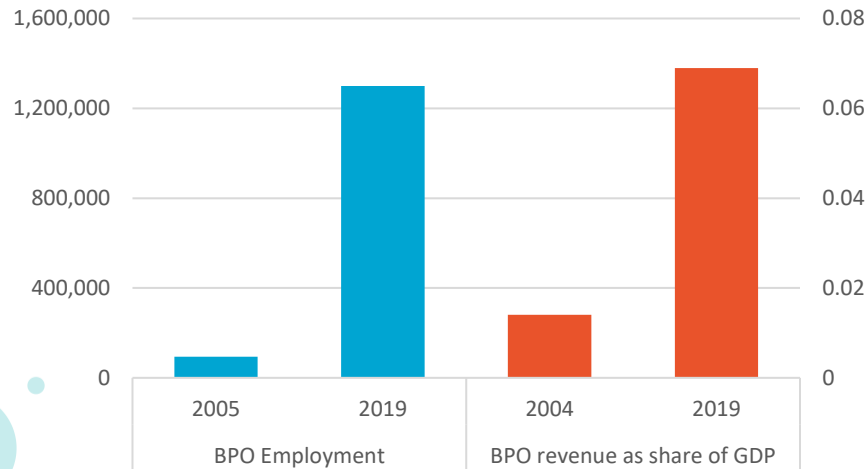
BAN = Bangladesh, CAM = Cambodia, FIJ = Fiji, GVC = global value chain, IND = India, INO = Indonesia, KGZ = Kyrgyz Republic, MON = Mongolia, NEP = Nepal, OECD = Organisation for Economic Co-operation and Development, PAK = Pakistan, PRC = People's Republic of China, PHI = Philippines, SRI = Sri Lanka, TAP = Taipei, China, THA = Thailand, VIE = Viet Nam.

# Linear and Nonlinear Upgrading Paths along GVCs

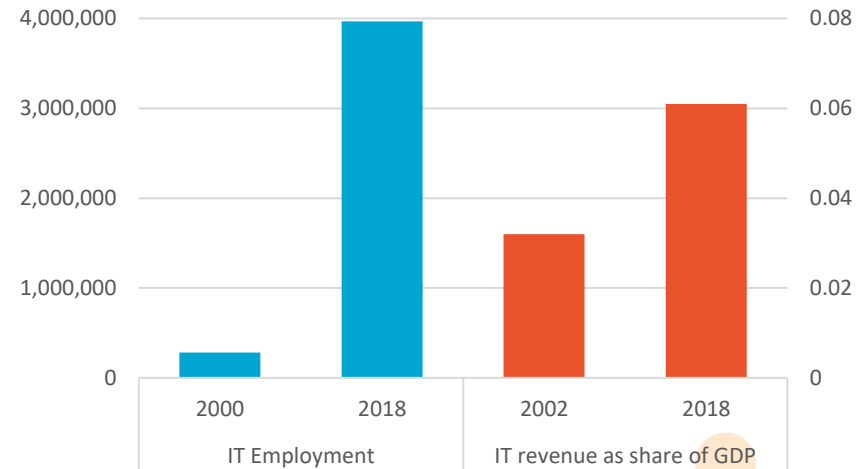


# The Role of Global Services Value Chains for Services-Led Development

## The Philippines



## India



# The Role of Global Services Value Chains for Services-Led Development

- Fears of premature deindustrialization are unwarranted, as many services share similar characteristics to manufacturing industries (e.g., scale economies, spillovers).
- **Advantages** of services GVCs beyond employment and revenue generation:
  - Improving gender equality (services liberalization is estimated to account for almost 10% of the decline in India's gender education gap).
  - Substantially greener than manufacturing.
- **Challenges** of services GVCs:
  - They are skill-intensive and might widen income inequality.
  - They are highly concentrated in cities and might widen urban-rural divides.
  - Tasks on the low-skill side of services GVCs are as susceptible to automation.

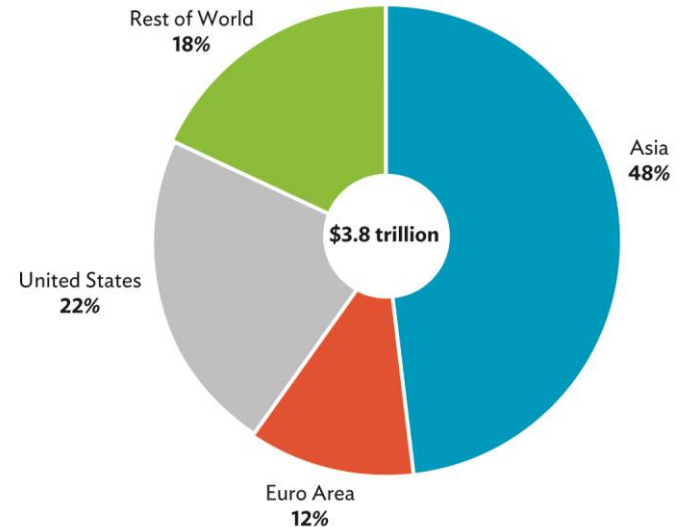
# Digital Platforms and Global Value Chains

The new digital economy is built on platforms: Google, Alibaba, Android, etc.

Network effects make platforms more valuable with more users.

But unequal – the platform economy is skewed towards Asia, North America, and Europe.

Digital Platform Revenue by Region, 2019





# Digital Platforms and Global Value Chains

Digital platforms have created internet-driven value chains:

- Diminishing importance of brick-and-mortar retail stores, a trend that has been further magnified by the COVID-19 pandemic.

**Advantages** of digital platform based GVCs:

- Making participation easier and reducing transaction costs;
- Lowering the cost of participating in international markets;
- More benefits beyond sales (digital payment and finance services, etc.);
- Increasing inclusivity for micro, small, and medium sized enterprises.

**Challenge:**

- Regulating the monopolistic power of digital platforms.

# Rising risks to GVCs

**Geopolitical shocks** have become a primary concern in recent years:

- According to standard measures of uncertainty, US-PRC tensions added 20% to global uncertainty since 2016.
- The Russian invasion of Ukraine has resulted in slowing economic activity and raising prices.



# Rising Risks to GVCs

## Environmental shocks

(earthquakes, floods, typhoons, etc.) affect GVCs on both supply and demand sides:

- typically, highly localized in domestic networks and temporally confined.

Disasters triggered by natural hazards are projected to increase:

- environmental risks to GVCs are likely to grow substantially.



Honda car factory in Ayutthaya province, Thailand, during the 2011 floods.

# Rising Risks to GVCs

## **Pandemic shocks** to GVCs:

- Lockdowns and border closures restrict the mobility of labor and disrupt operations, spreading the contagion effect globally.
- Uncertainty undermines investment => global FDI fell 42% in 2020.

Complex, lengthier GVCs with concentrated production or distribution have been the most vulnerable.

The global costs of COVID-19 lockdowns: a loss of 12.6% of global GDP.

GVCs, however, have been surprisingly resilient in adjusting to pharmaceutical, medical equipment, and food shortages.



# Thank you!

For the full report, please visit

<http://dx.doi.org/10.22617/TCS210400-2>