Key Messages from the
GLOBAL VALUE CHAIN DEVELOPMENT REPORT 2021

BEYOND PRODUCTION

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Global Value Chain Development Report 2021: Beyond Production

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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.

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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 3rd edition of a biennial series.
GVC participation rates, World, 1995-2020

This chart shows the participation rates in global value chains (GVCs) for production-based and trade-based activities from 1995 to 2020. The chart highlights the global financial crisis period with a shaded area. The participation rates have generally increased over the years, with fluctuations during the financial crisis.
Complex GVC Networks, Demand Perspective, 2005 and 2016
Bilateral Trade between the PRC and the US by Three Different Measures, 2015–2016

US Exports to PRC

PRC Exports to US

$ billion

Trade in value added
Trade statistics in gross terms
Trade in factor income

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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
Linear and Nonlinear Upgrading Paths along GVCs
The Role of Global Services Value Chains for Services-Led Development

**The Philippines**

- BPO Employment
- BPO revenue as share of GDP

- Employment: 0, 1,200,000
- Revenue as share of GDP: 0, 0.08

**India**

- IT Employment
- IT revenue as share of GDP

- Years: 2000, 2018, 2002, 2018
- Employment: 0, 4,000,000
- Revenue as share of GDP: 0, 0.08

**Notes:**
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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 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.
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.
**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