

2022/CTI/WKSP10/002

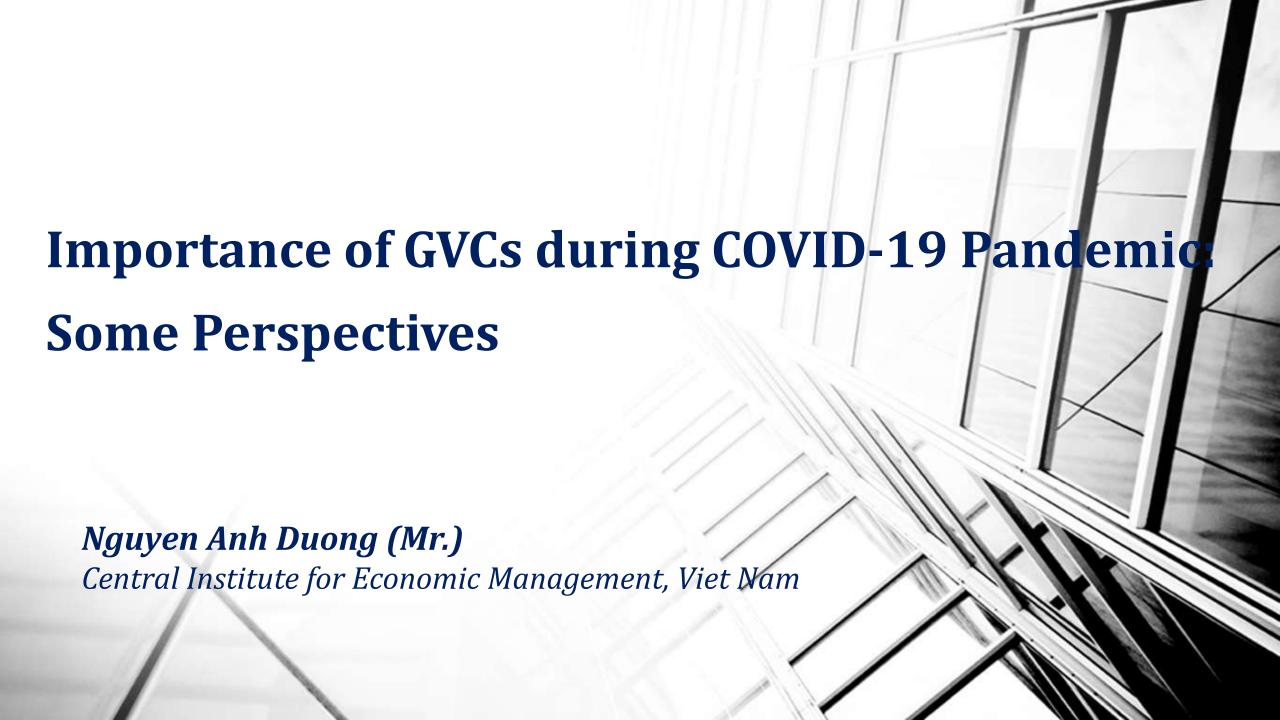
Session 1

### Importance of Global Value Chains During the COVID-19 Pandemic: Some Perspectives

Submitted by: Viet Nam



Workshop on Opportunities and Challenges for Global Value Chains During the COVID-19 Pandemic and Post-Pandemic Economic Recovery 13-14 October 2022



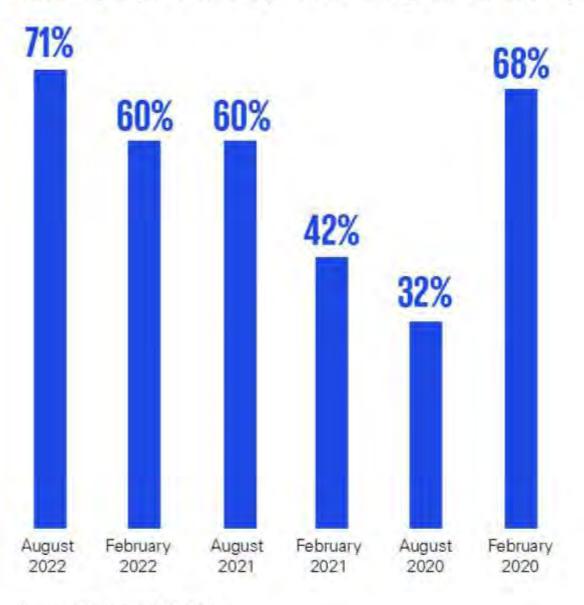
# 1. External environment has mixed factors that potentially affect regional economic recovery after COVID-19

- > World economic recovery is evident, despite risks of downturn
  - Complicated risks of diseases (COVID-19);
  - Rise in geopolitical tensions/conflicts: Russia-Ukraine conflicts, allianceconfrontation + sanctions;
    - Supply chain disruptions and commodity price hikes;
  - More consensus towards sustainable development and climate change adaptation, but these can be standards to deter various economies.
  - Interest rate normalization by various economies
    - US: further hike(s)?
    - · Risk of economic recessions.
  - Despite concerns about China-US decoupling, international cooperation in trade and investment made progress
    - MC12, RCEP and IPEF.

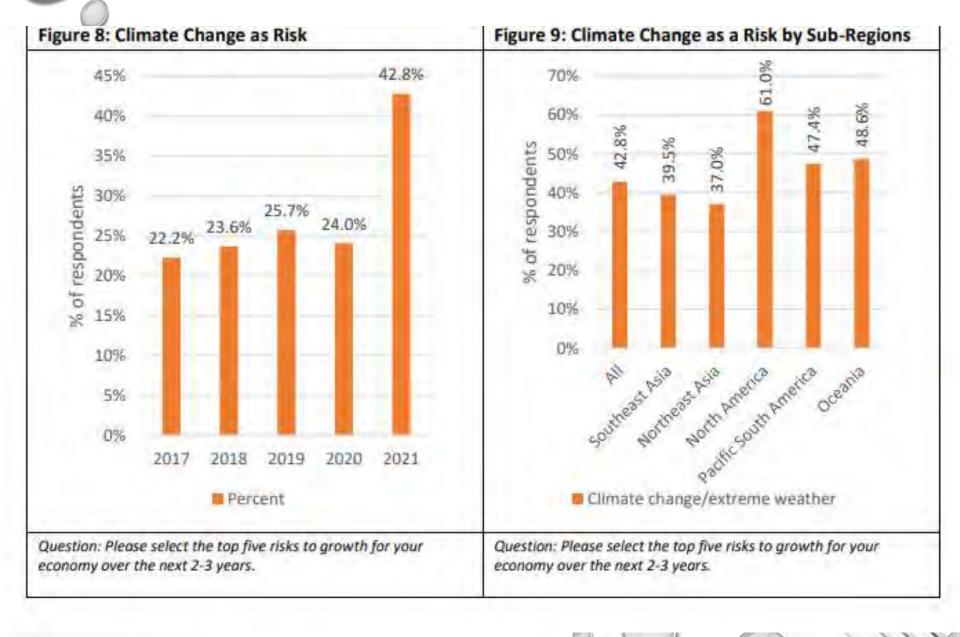
#### Growth prospects for the global economy over the next 3 years

### >KPMG CEO Survey:

o In August 2022: Supply chain no longer in the top 5 risk top growth over the next 3 years.

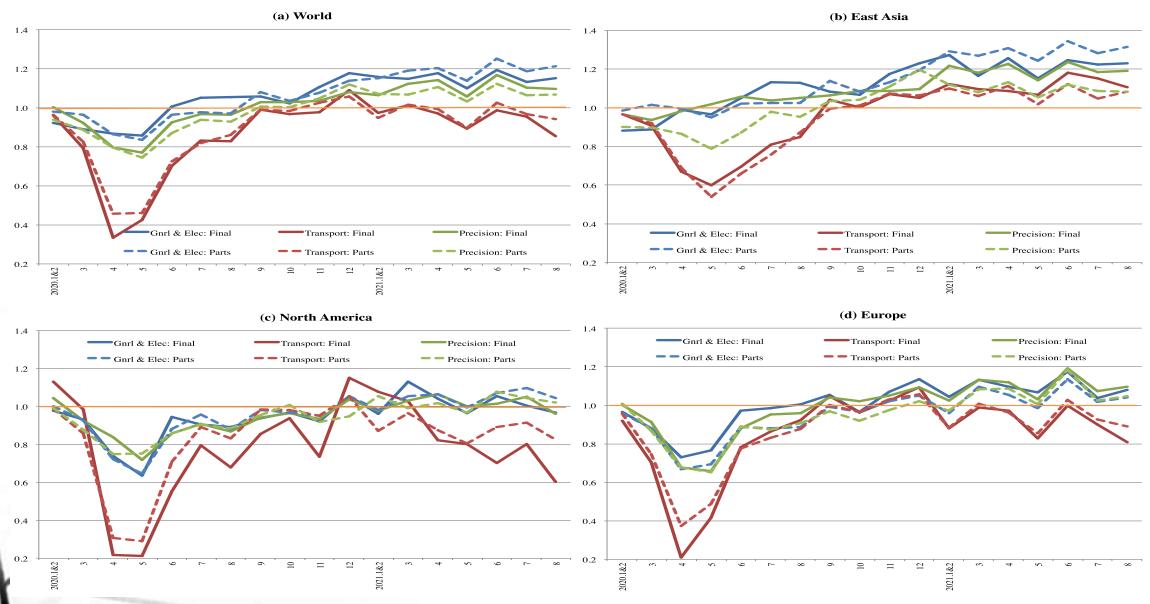


Source KPMG 2022 CEO Outlook



Source: PECC (2021)

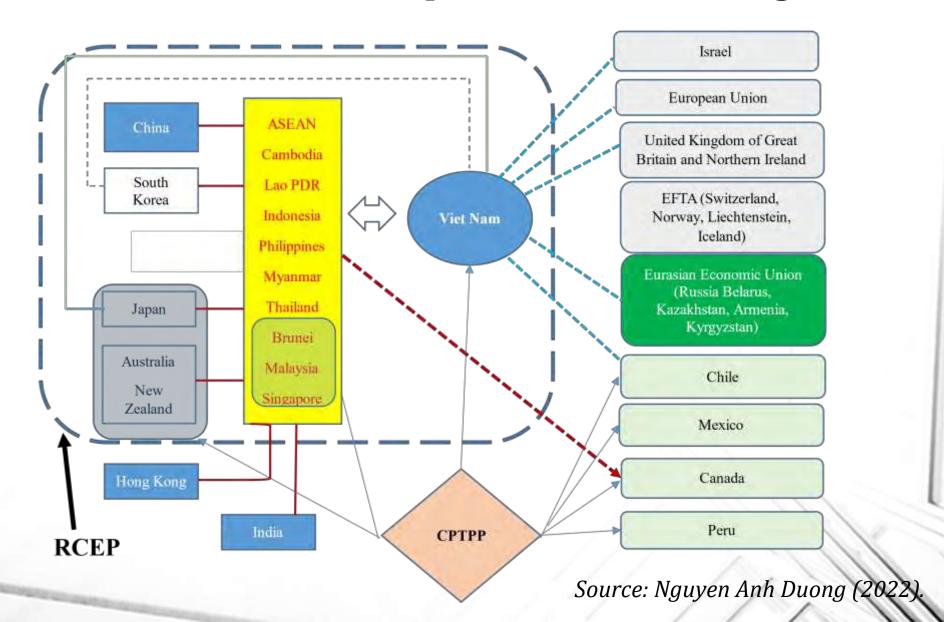
### 2. GVCs continued to evolve during the COVID-19 pandemic



Source: Ando and Hayakawa (2021), provided by Professor Kimura (2022).

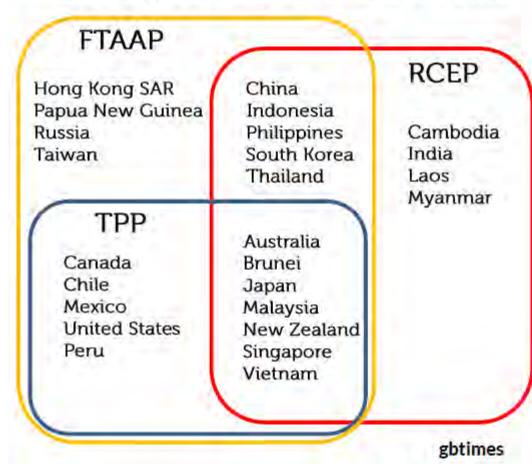
Comparison of major machinery international production networks amid COVID-19: machinery exports to the world (each month of 2019 = 1)

### FTAs continued to shape GVCs in APEC region



- RCEP as inducement for new competition on initiatives for regional linkages
  - Annex 1, APEC Economic Leaders' Statement 2016: RCEP and TPP are pathways towards FTAAP;
  - o If CPTPP accepts new members?
  - o IPEF?

#### Trade agreements in Asia-Pacific



FTAAP = Free Trade Area of the Asia-Pacific
TPP = Trans-Pacific Partnership
RCEP = Regional Comprehensive Economic Partnership

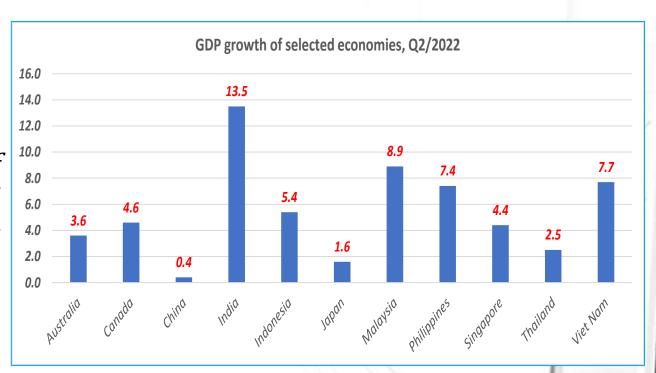
Petri and Plummer (6/2020):
RCEP helps partially
compensate for negative
impacts of US-China trade
war

	2030 Exports	Incremental effects: With business as before			Incremental effects: With US-China trade war			
		CPTPP	RCEP15	RCEP16	Trade war	СРТРР	RCEP15	RCEP16
Asia	12,905	172	500	118	-483	157	495	121
Brunei	16	1	0	0	0	1	0	Q
China	4,976	-9	244	12	-463	-27	248	13
Hong Kong	357	1	-2	0	-10	1	7	Ω
India	1360	-3	-6	137	+1	-3	-6	138
Indonesia	446	-3	13	5	-2	-3	12	5
Japan	1,190	97	135	-30	+1	98	128	-29
Korea	1,089	-6	64	-4	+1	-5	63	-4
Malaysia	491	42	10	-1	3	42	11	-2
Philippines	184	0	7	-2	1	0	7	-2
Singapore	470	29	-3	2	-2	29	-3	2
Taiwan	506	0	-8	1	-4	0	-8	i)
Thailand	561	-7	26	0	2	-7	26	0
Vietnam	397	31	14	+2	1	31	14	-2
ASEAN nie	93	0	4.	0	O	D	4	0
Asia nie	810	1	Ť	0	-7	1	0	Ö.
Oceania	673	28	4	6	-9	28	4	6
Australia	589	23	3	5	-8	24	3	5
New Zealand	84	5	1	Ó	+1	5	1:	0

Source: Petri and Plummer (6/2020)

# 3. Importance of GVCs during COVID-19 pandemic: Some perspectives

- >FTA and GVC participation helps improve the linkages with regional economic recovery
  - CIEM 2021: Institutional impacts of RCEP may be less than CPTPP and EVFTA (but harmonization of RoO is also crucial + attempts to replicate high standards of new-generation FTAs) → boost engagement in GVC
  - Potential for win-win solutions helped retain the open dialogues among stakeholders.



Source: Economist.com (as of 6<sup>th</sup> October 2022)

# GVC induces efforts towards digitalization along all stages of GVCs during COVID-19 pandemic

- Firms' own efforts to maintain competitive edge and in response to demand from supply chain leaders.
  - The COVID-19 pandemic compelled firms to accelerate their efforts.
- > New initiatives to foster digitalization efforts by firms:
  - Online dispute resolution (e.g. APEC Collaborative Framework for ODR of Cross-border B2B Disputes).
  - Paperless trading (e.g. Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific).

# GVC participation also implies more resilience, rather than higher exposure to external shocks

- ➤GVCs evolve to meet ESG expectation, thus compelling firms to adapt/upgrade, eventually contributing to sustainable development and economic resilience.
  - Without ESG compliance: KPMG CEO survey (8/2022) indicates consequences in the forms of higher costs of and/or difficulty in raising finance (25%), competitors gaining an edge (21%), and loss of customers (5%).
- Positive spillover impacts from FDI to domestic enterprises as supply chain leaders reduce reliance of sales on foreign demand and dependence on foreign value-added.
  - Joint efforts by governments and firms, and diffusion of technologies to help manage risks along GVCs (Just-in-time vs. Just-in-case).

## THANK YOU!

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