



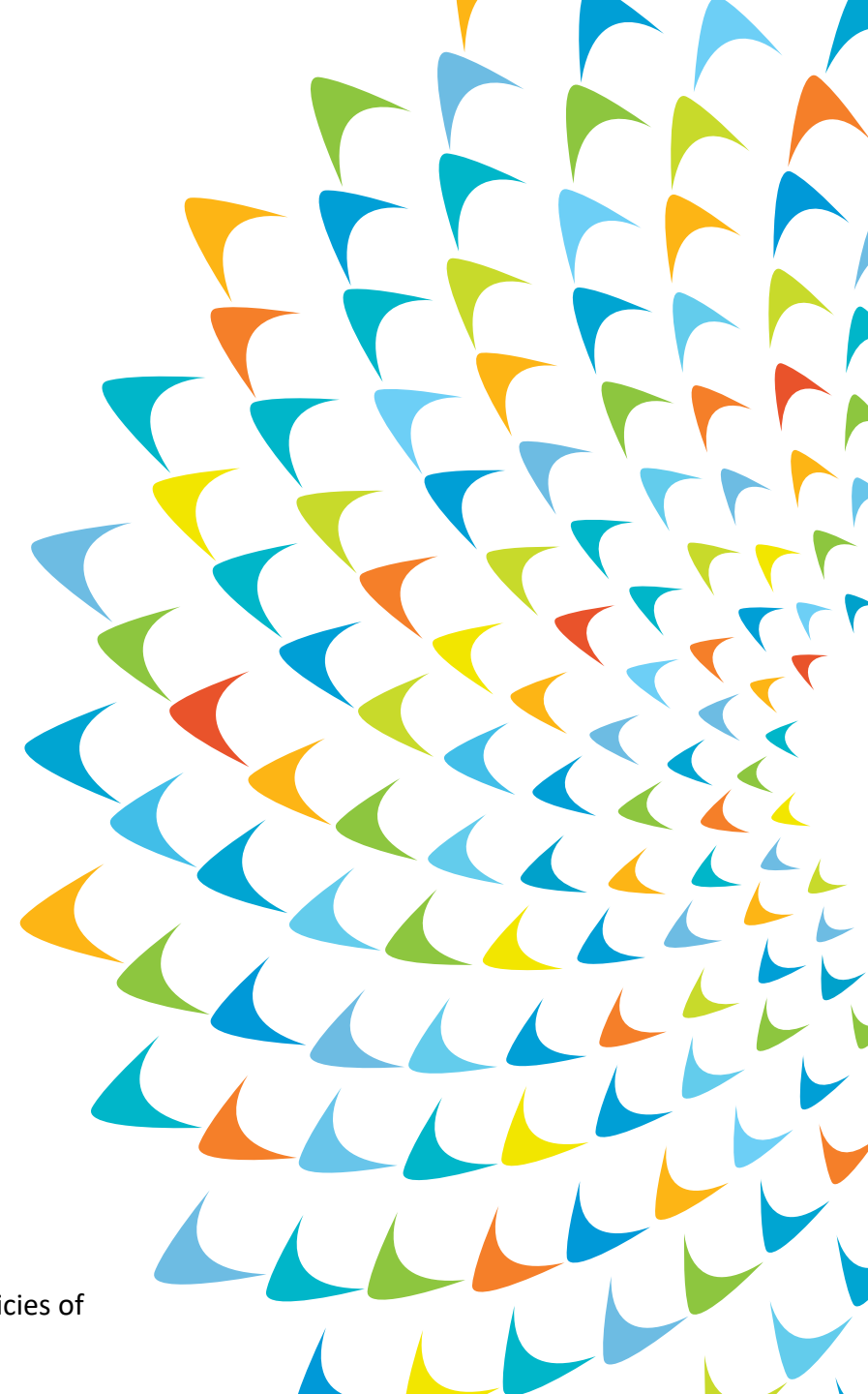
Strengthening connectivity for sustainable and inclusive recovery

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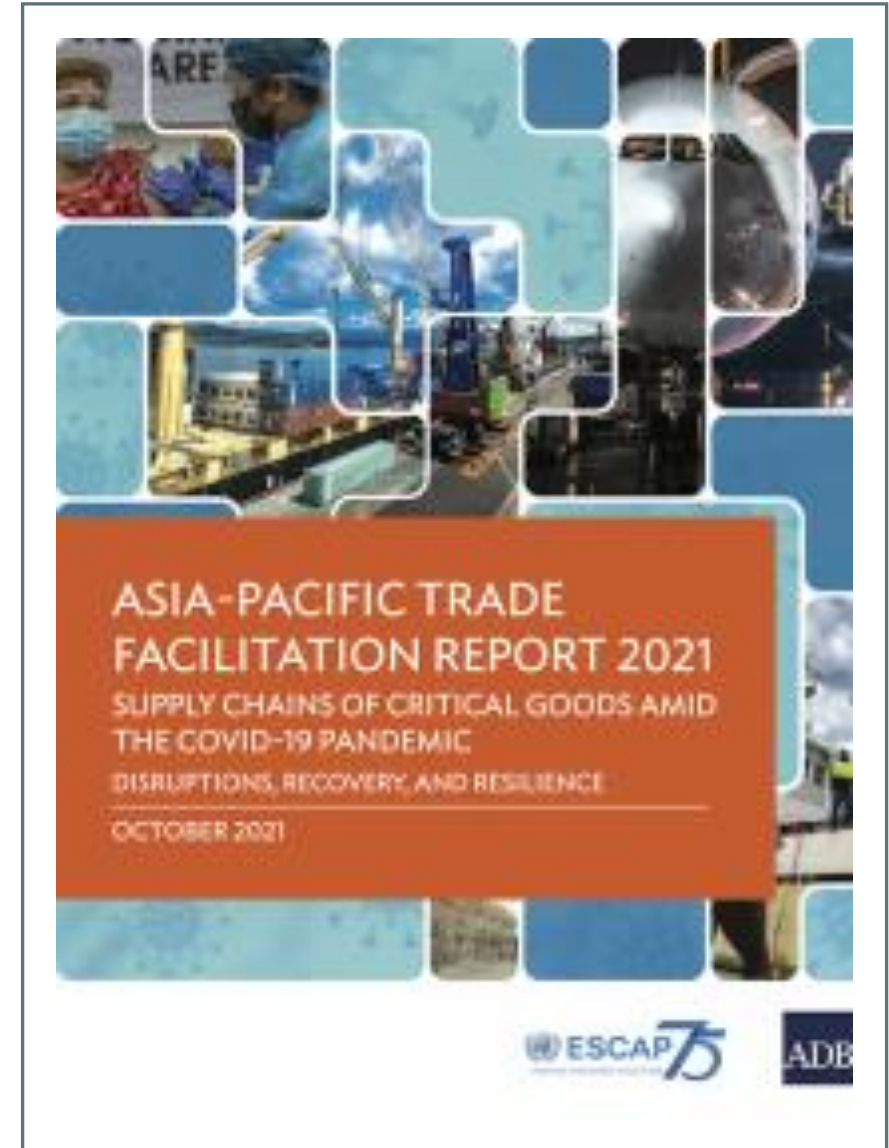
Asian Development Bank

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- Supply chain disruptions caused by the pandemic have underscored the need for digital and paperless trade procedures.
- A special chapter examines the pandemic's impact on the supply chains of critical goods such as vaccines, personal protective equipment, and food, and provides policy suggestions for enhancing supply chain resilience and trade facilitation.
- This is the third biennial progress report on trade facilitation implementation in Asia and the Pacific jointly prepared by the Asian Development Bank and the United Nations Economic and Social Commission for Asia and the Pacific.

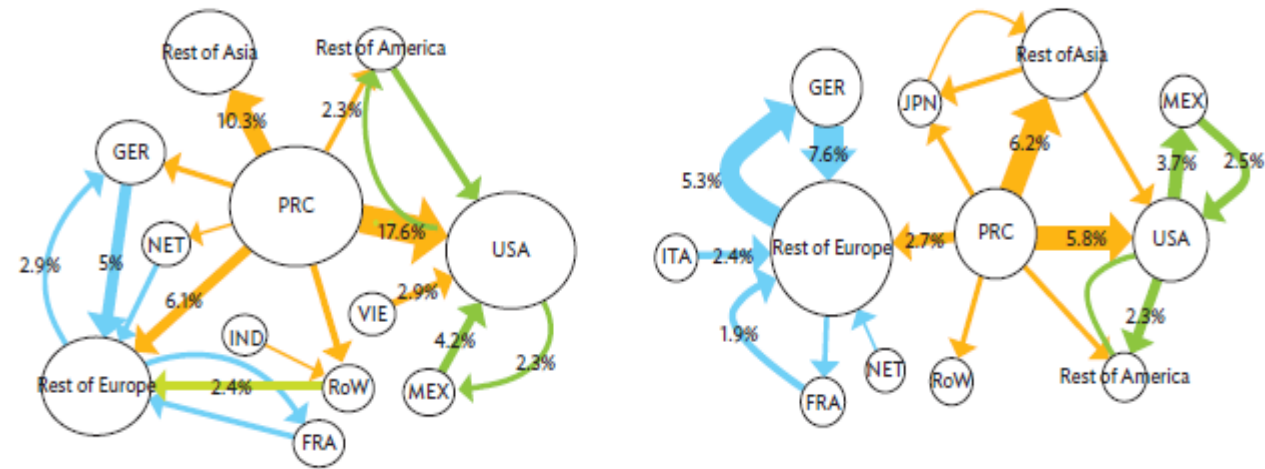


Three risks to global value chains

- **Geopolitical tensions.** US-PRC tensions and recent sanctions on Russia has led to increasing emphasis on reshoring and friend-shoring.
- **Environmental shocks** (earthquakes, floods, typhoons, etc.) affect GVCs on both supply and demand sides.
- **COVID-19 pandemic.** Lockdowns and border closures restrict the mobility of labor and disrupt operations of value chains; shocks to supply and demand spread via value chains globally; uncertainty undermines investment, global FDI fell 42% in 2020.

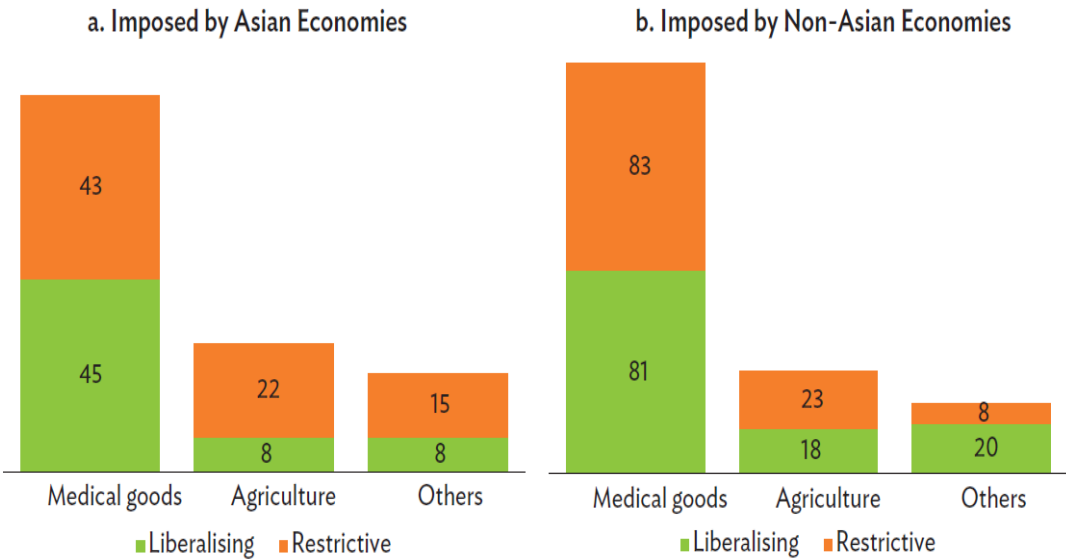
The pandemic revealed weaknesses in the production and distribution of critical goods such as medical supplies and foods

Trade Networks of Surgical Masks and Respirators, 2019



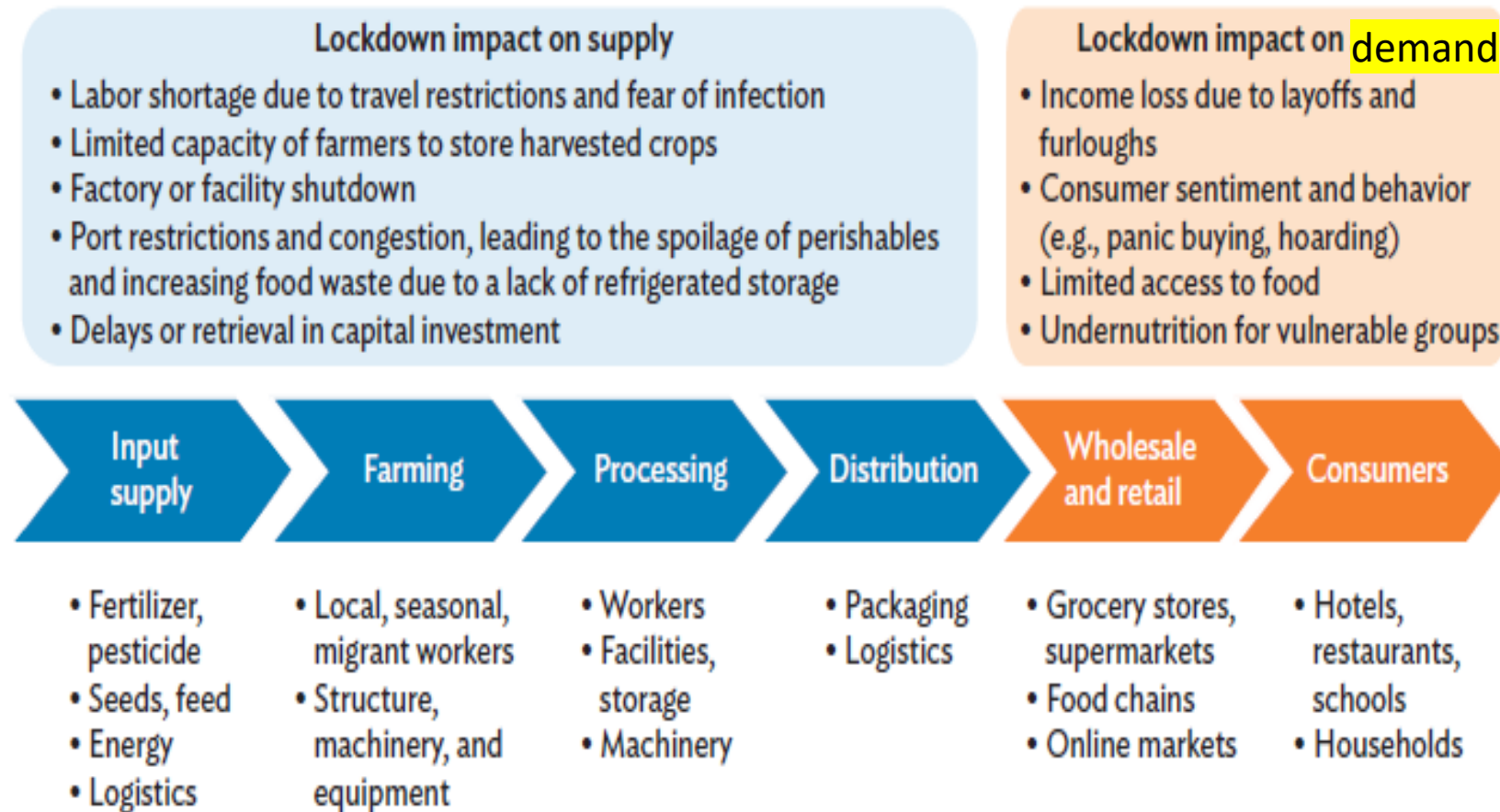
Source: Asian Development Bank calculations using data from the United Nations. Commodity Trade Database. <https://comtrade.un.org> (accessed 16 March 2021).

Products Affected by COVID-19-Related Trade Measures



Source: Asian Development Bank calculations using data from International Trade Centre. <https://www.intracen.org> (accessed April 2021).

Domestic and international disruptions in food supply chains emphasized the role of trade facilitation and open trade



Source: Asian Development Bank calculations using data from Oxford COVID-19 Government Response Tracker, <https://www.bsg.ox.ac.uk/research/research-projects/covid-19-government-response-tracker>; and Google COVID-19 Community Mobility Trends <https://www.google.com/covid19/mobility/> (both accessed May 2021).

Enhancing supply chain resilience of essential goods requires expanding international cooperation

Open trade and trade facilitation

- Multilateral approaches to trade facilitation
- Addressing legal and technical standards, system interoperability, implementing WTO Trade Facilitation Agreement, facilitating paperless trade

Digital technologies

- Reducing trade costs
- Enhancing inclusion of smallholder farmers, small businesses, women

Deeper international cooperation

Targeted assistance to vulnerable groups

- Equitable vaccine procurement and distribution
- Logistics support and handling of vaccines

Role of MDBs

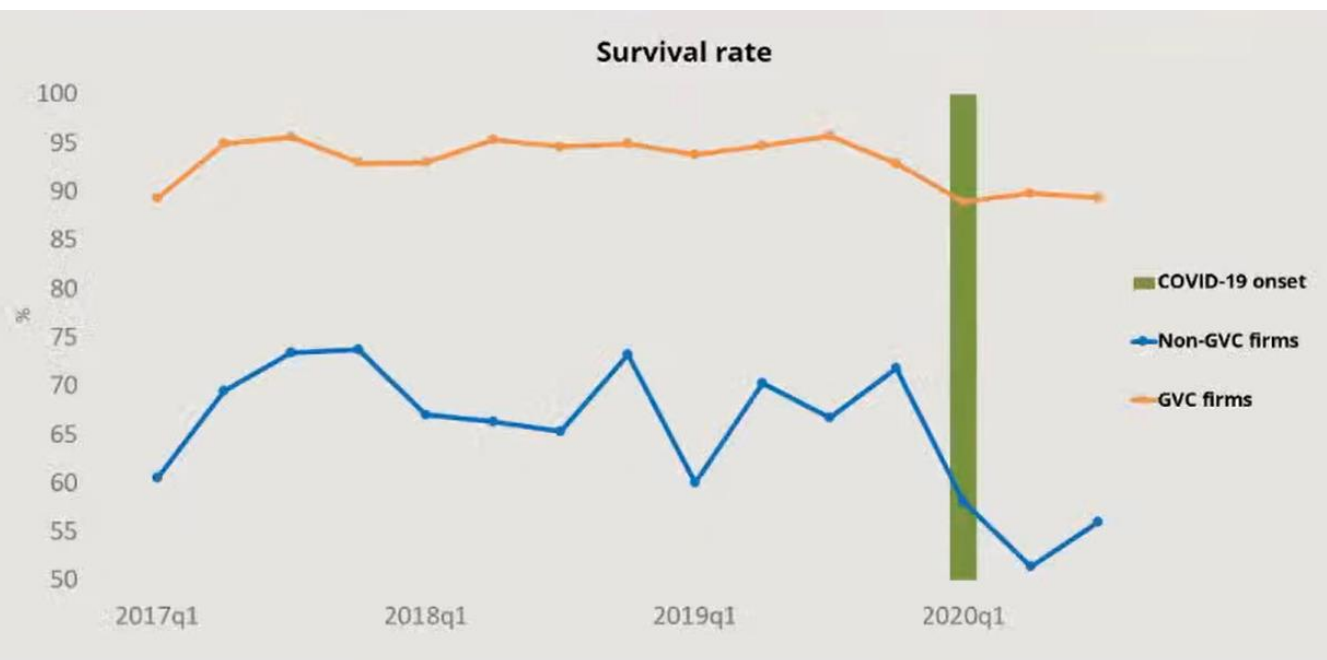
- Trade and supply chain finance, food aid, vaccine procurement

Digitalization can help promote an inclusive recovery

- As a new infrastructure of GVCs, digital platforms have created internet-driven value chains, which are diminishing the 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.

Greater connectivity increases growth, resilience, and inclusivity

Survival rates of GVC and Non-GVC Firms in Cambodia



Source: World Bank (2022). Reshaping Global Value Chains in Light of COVID-19: Implications for Trade and Poverty Reduction in Developing Countries

Regional Integration and Inclusive Growth

Cross-country analysis results:

- Greater trade and investment reduces poverty
- More infrastructure/connectivity and greater importance of regional value chains leads to faster growth

Source: Cyn-Young Park and Racquel Claveria. 2018. Does Regional Integration Matter for Inclusive Growth? Evidence from the Multidimensional Regional Integration Index. *ADB Economics Working Paper Series*, No. 559. Manila: Asian Development Bank.

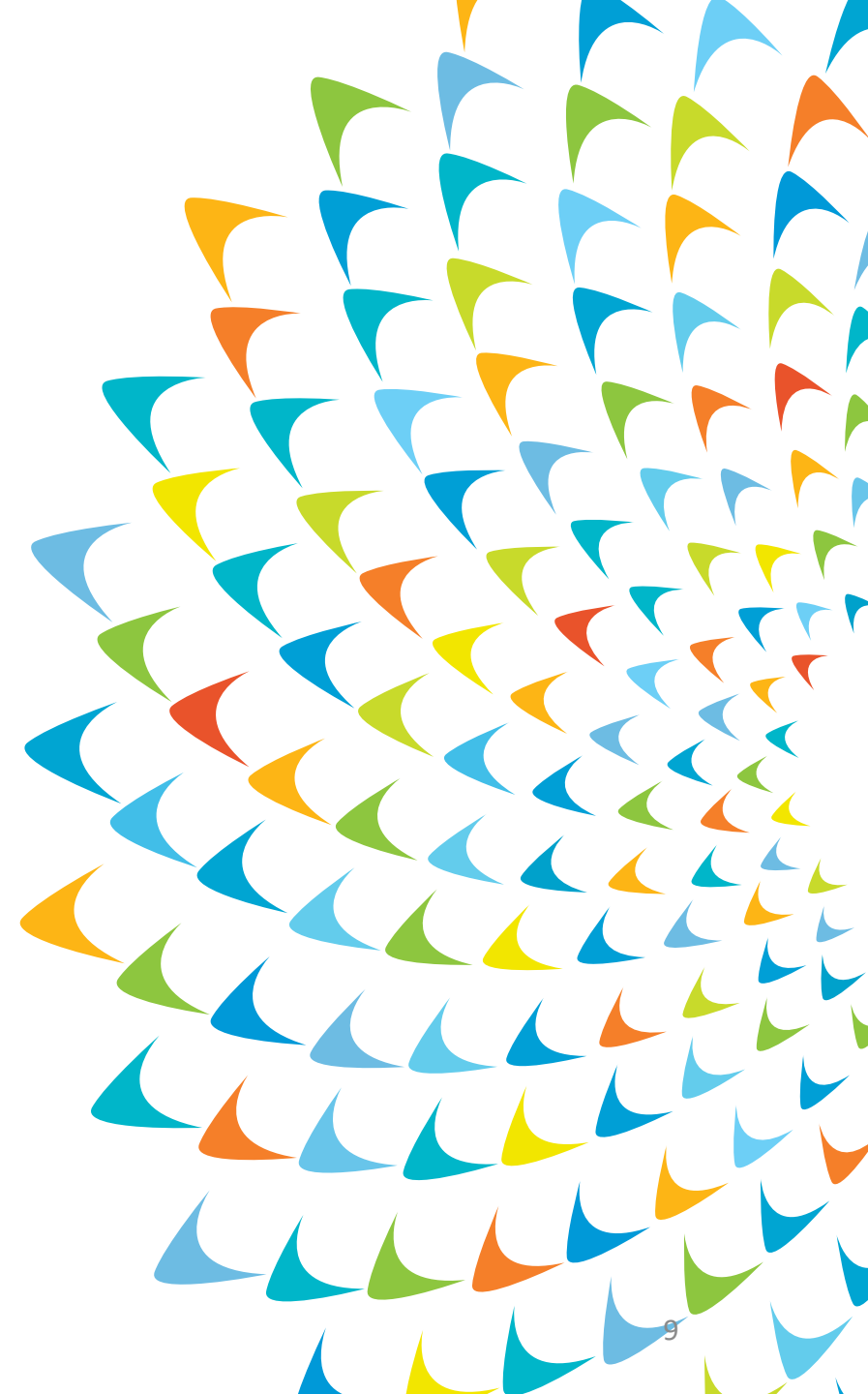


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Subregional cooperation initiatives: Key progress in 2020/2021

CAREC

- 213 projects worth \$39.3 billion as of 30 June 2021, with Transport (75%) and energy (22%)
- CAREC 2030 implementation for post-pandemic recovery

GMS

- 109 projects worth \$27.7 billion as of 2020
- About 12,000 kilometers of new or upgraded roads; about 700 km of railway lines installed
- 3,000 megawatts of electricity generated; 2,600 km of transmission and distribution lines installed

EAST ASIA

- Border zone and trade facilitation projects support economic corridor development in the PRC and Mongolia.

SASEC

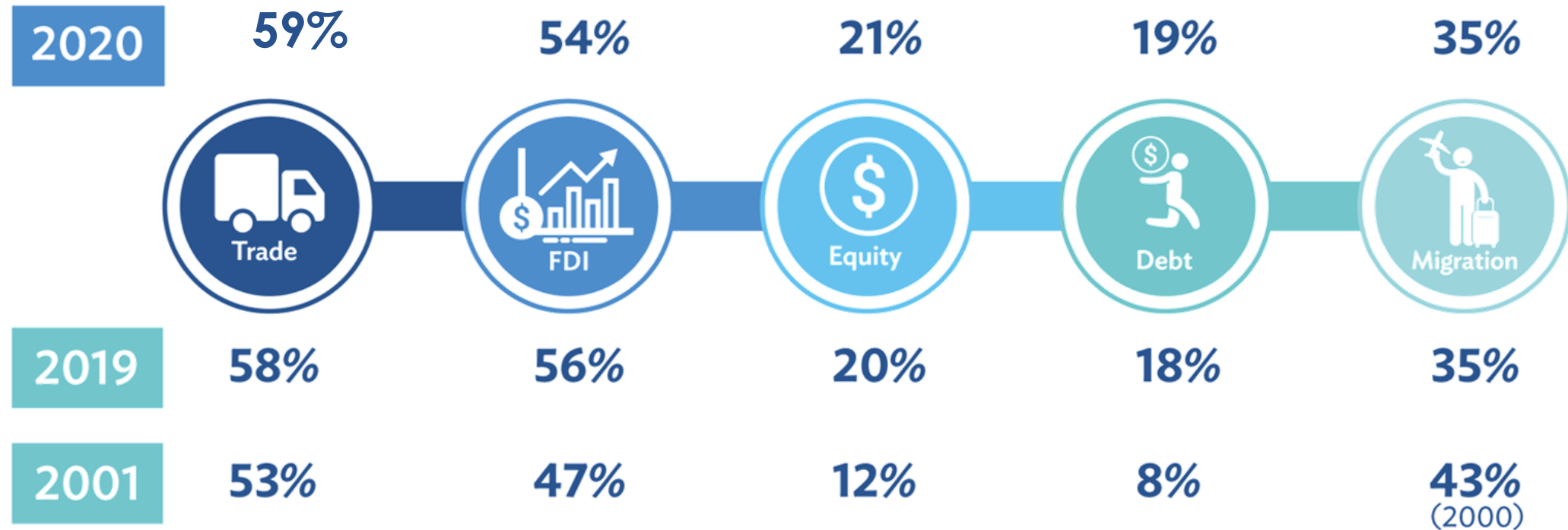
- 73 projects worth \$17.43 billion as of December 2020
- Multimodal transport corridor development and measures to improve trade efficiencies strengthened
- Green energy and subregional power transmission

PACIFIC

- The Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project, recently expanded to include the introduction of COVID-19 vaccines
- Efficient regional mechanisms and networks facilitate support of development partners in vaccines supply

Regional economic linkages remain robust despite COVID-19

Intraregional Shares (% of total)



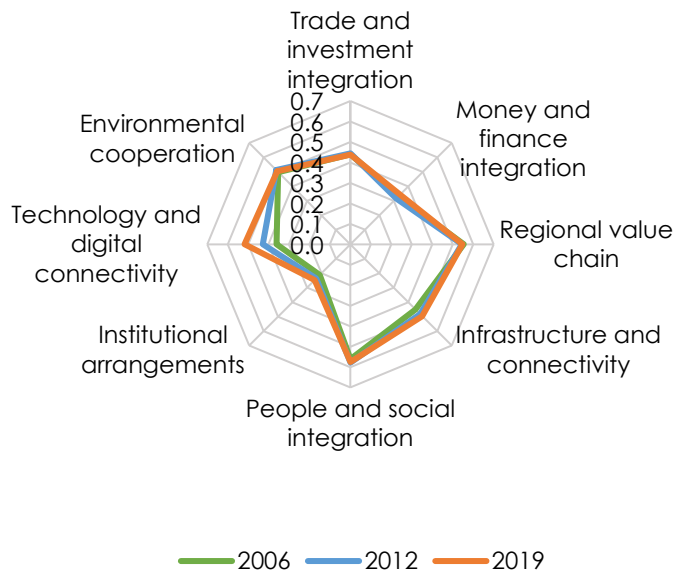
FDI = foreign direct investment (flows data), Equity = equity asset holdings (stock data), Debt = debt asset holdings (stock data), Migration is based on outbound data.

Note: Where data are not available, the latest year for available data is indicated in parentheses.

Sources: ADB calculations using data from Association of Southeast Asian Nations Secretariat; International Monetary Fund; Organisation for Economic Co-operation and Development; United Nations Conference on Trade and Development; United Nations Department of Economic and Social Affairs Population Division; United Nations World Tourism Organization; World Bank; and national sources.

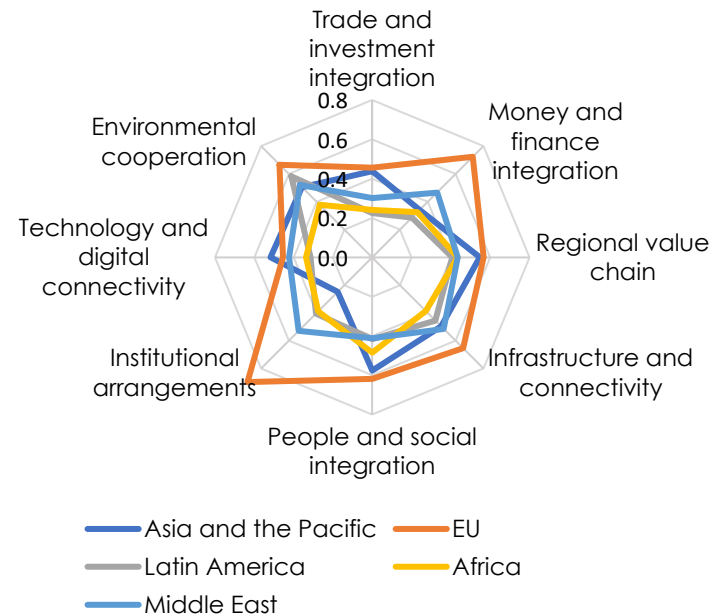
Asia is highly integrated and on multiple dimensions compares well to EU

Asia and the Pacific
2006, 2012, 2019



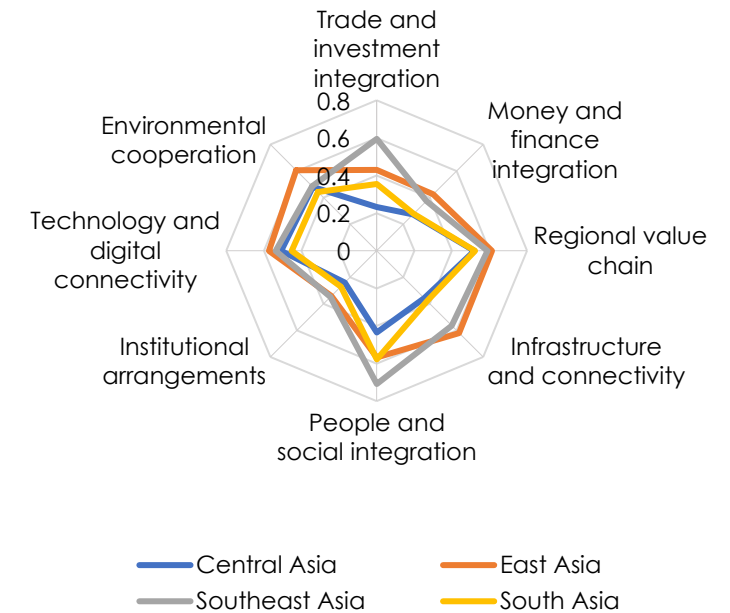
Trade, investment, infrastructure and digital connectivity has improved since 2006.

Asia and the Pacific vs. Other Regions, 2019



Asia performed similarly well with EU in regional **trade, investment, and value chain participation**

Asia Subregions, 2019



Asia subregions continue to display **wide-ranging performance** across dimensions.

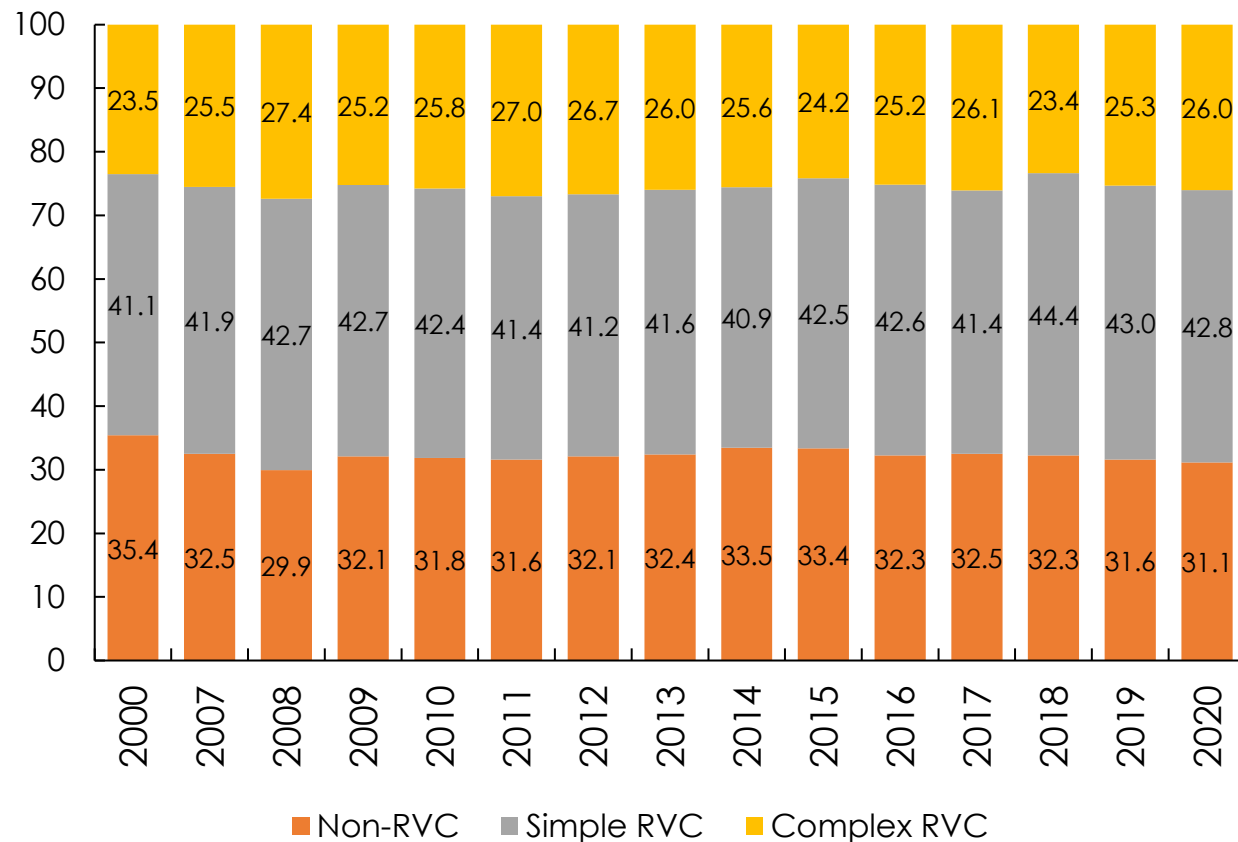
Notes: Worldwide normalization is used for all estimations, where the indicators are normalized using global maximum and minimum values across all regions. Higher values denote greater regional integration.

Source: ADB. [Asia-Pacific Regional Cooperation and Integration Index Database](#) (accessed October 2021).

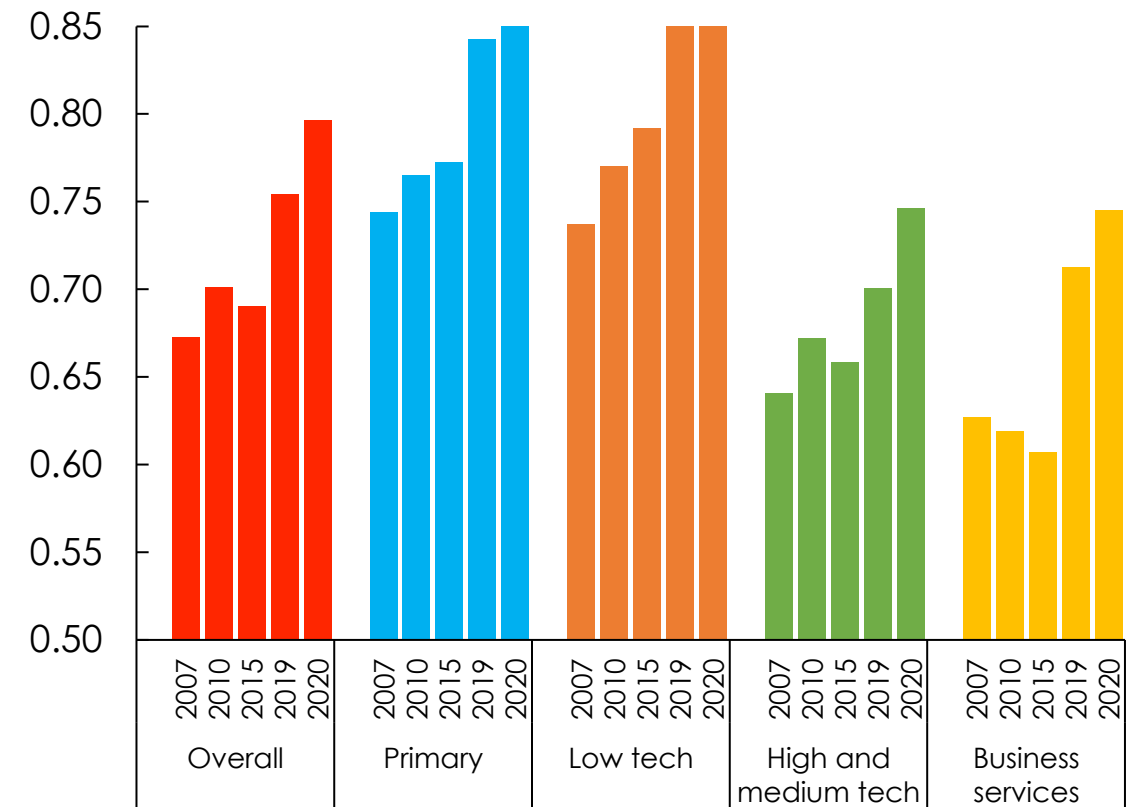
Pandemic has not slowed the deepening of regional value chains

Recent deepening of RVC is driven more by complex value chain linkages and in high and medium tech sectors

Asia Regional Value Chain Participation Rates (%)



RVC-GVC Intensity – Major Sectors in Asia



GVC = global value chains; RVC = regional value chains

Notes: Gross RVC participation is the share of Asia's intraregional value chain exports to its intraregional gross exports but excluding all non-Asian third economies in gross exports. Non-RVC refers to final goods exports.

Simple RVCs are intermediate goods exports that cross borders only once or absorbed by the direct importer economy. Complex RVCs are intermediate exports that cross borders at least twice.

Sources: ADB calculations using data from ADB. Multi-Regional Input-Output Tables; and methodology by Wang, Wei, and Zhu (2013, revised 2018).