

Global Value Chain Transformation toward 2030 and Future Trade-FDI Landscape

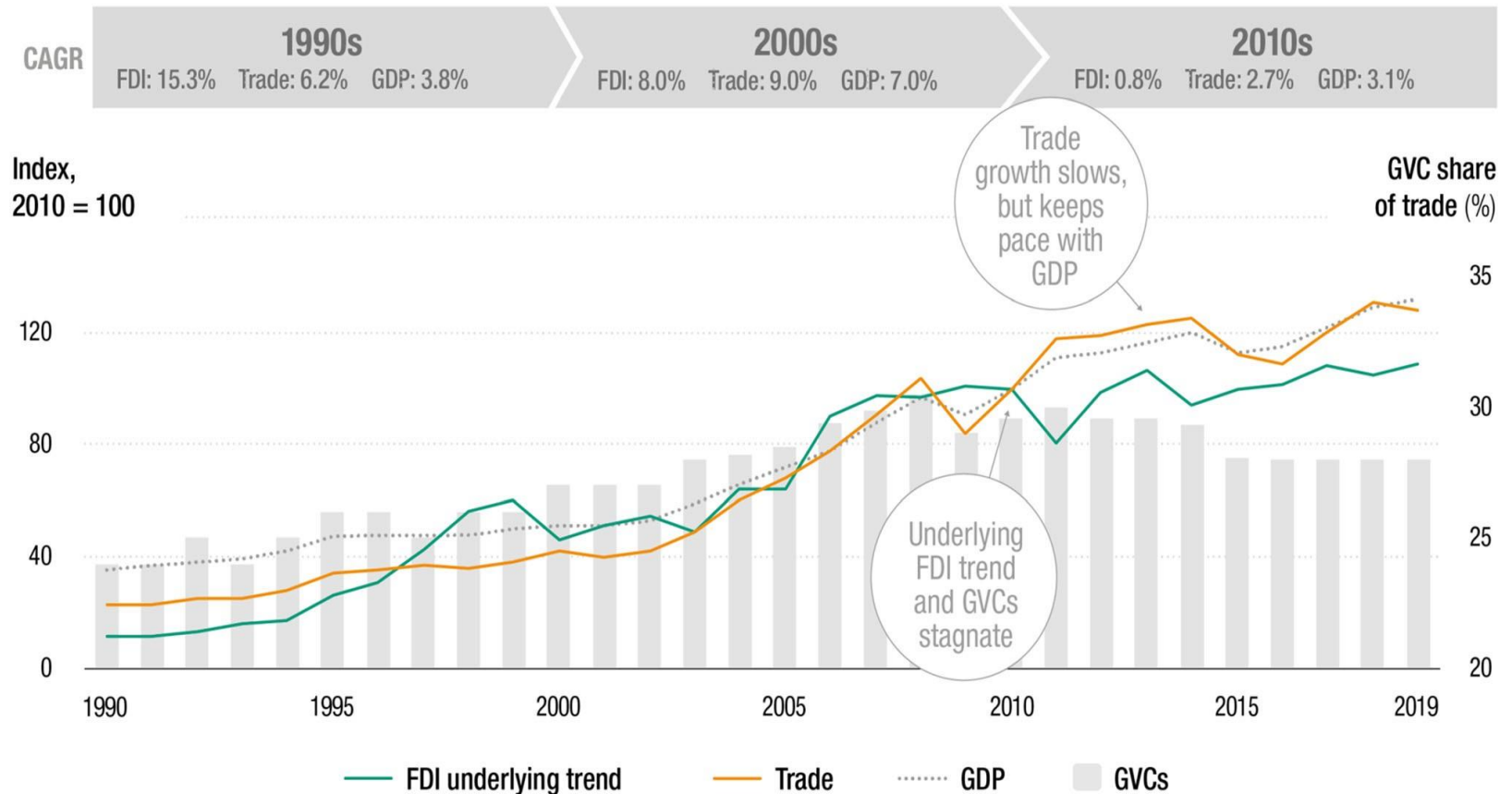
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Global value chains: two decades of growth followed by one of stagnation



Source: UNCTAD World Investment Report 2020
 Note: FDI, trade, and GDP indexed, 2010 = 100; GVCs percent

Global value chains will undergo a transformation in the next decade, pushed by five driving forces

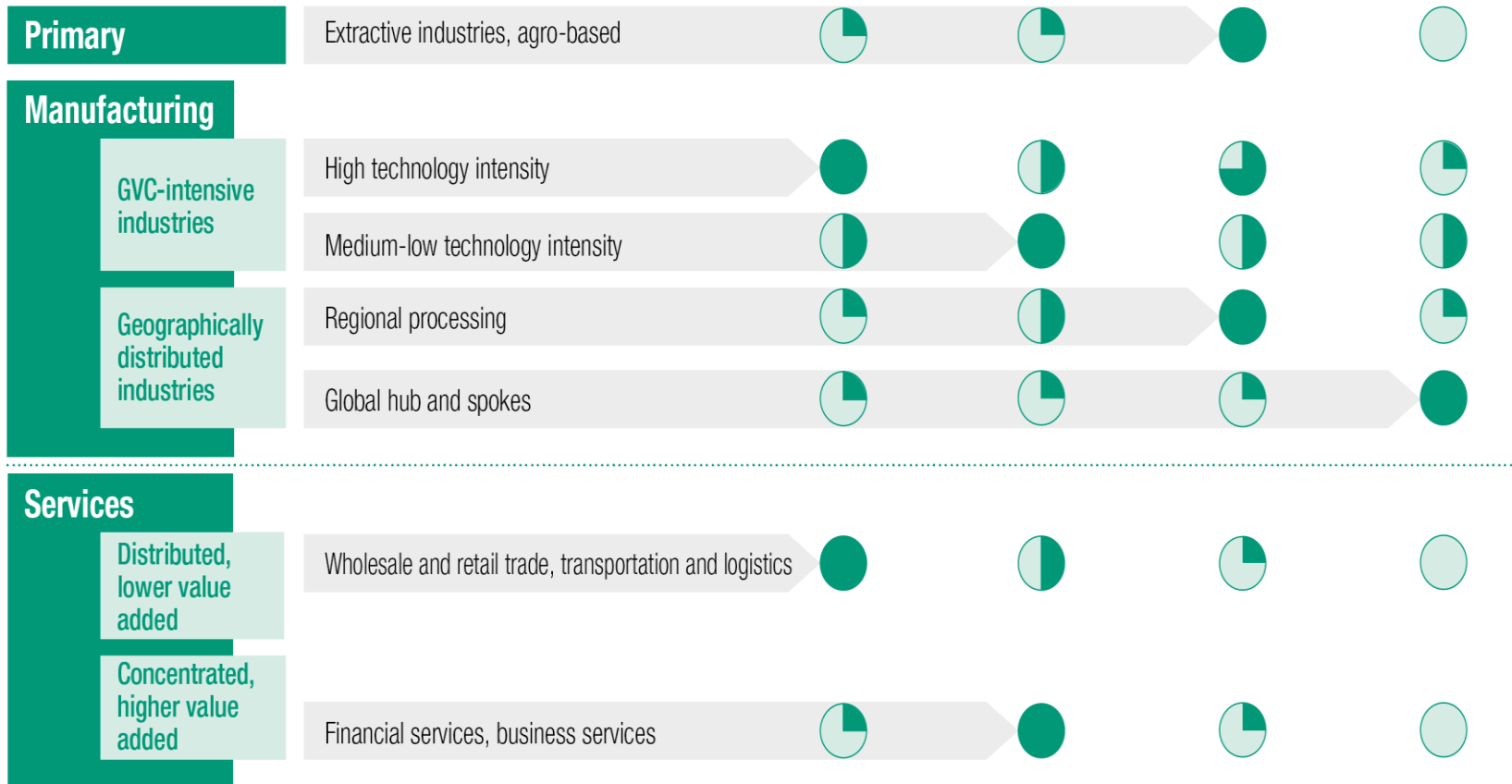
Driving Forces	Key elements
1. <i>Economic governance realignment.</i>	<ul style="list-style-type: none">▪ Shifting away from multilateral towards regional and bilateral solutions▪ Increased trade and investment protectionism, industrial policies for making at home▪ Geopolitical confrontation leading to fragmentation of standards/systems
2. <i>Technology and the new industrial revolution</i>	<ul style="list-style-type: none">▪ Supply chain digitalization, including platforms, cloud, IoT, blockchain▪ Robotics-enabled automation and AI-enhanced systems▪ Distributed and additive manufacturing (3D printing), mass customization
3. <i>Sustainability imperative</i>	<ul style="list-style-type: none">▪ Market-driven changes toward green and blue economy▪ Sustainability-oriented product and process transformation▪ Global endeavor to mobilize and channel investment to SDGs sectors
4. <i>Corporate accountability</i>	<ul style="list-style-type: none">▪ Environmental, social and governance (ESG) standards and disclosure requirements▪ Global fight against corruption, illicit payments, tax evasion and anti-competitive practices▪ Mainstreaming sustainability into business models, and reputational risk aversion
5. <i>Resilience-oriented restructuring</i>	<ul style="list-style-type: none">▪ Coping with increasing volatility, uncertainty, complexity, and ambiguity (VUCA)▪ Adopting new working approaches to stimulate agility and flexibility▪ Diversifying GVCs in response to growing geopolitical tensions and reshoring pressure

Source: James X. Zhan, GVC Transformation and a new Investment Landscape in the 2020s: Driving Forces, Directions, and a Forward-looking Research and Policy Agenda. *Journal of International Business Policy*. 206-220.

The four trajectories will have varying relevance across industries

○ Not relevant ● Highly relevant

Reshoring Diversification Regionalization Replication



Source: UNCTAD World Investment Report 2020

Ten possible broad trends in GVCs transformation toward 2030

Main aspects

Ten salient features

Restructuring value chains

- 1) More regional and less global value chains
- 2) Less fragmented manufacturing GVCs, and more concentrated value added
- 3) More platform-driven and asset-light value chain governance
- 4) Growing services share in value chains and offshoring
- 5) Resilience and national security driven GVC diversification

Changing pattern of global trade and investment

- 6) Decline in global efficiency-seeking FDI, and increase in regional market-seeking FDI
- 7) Downward pressure on global trade in intermediate goods, less on trade in final products
- 8) A shift from mass production to mass customization
- 9) Growing FDI in infrastructure and public services
- 10) A boost for FDI in the green and blue economies

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