



Digital transformation of global value chains and sustainable post-pandemic recovery

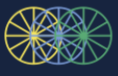
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Introduction

- Global value chains (GVCs)
 - Global production has been much fragmented and segmented following globalisation.
 - Enable **developing countries** to gradually develop technological capabilities for “faster” industrial upgrading and expand exports.
 - A tool for **industrialized countries** to re-invigorate slow growth in the absence of major innovations.
- The COVID-19 pandemic and the resultant global lockdown have caused enormous disruptions and permanent change to global production networks.
- The pandemic is set to reinforce the regionalization, localization and diversification trends of GVCs.



Impact of the covid-19 pandemic on global production & trade

The pandemic hits GVCs by three channels:

- Disrupts transportation systems and supply chains; even now and into Xmas
- Disruption of the supply side of production
- The sharp fall in demand

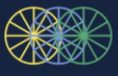
The impact of the pandemic varies by sectors & countries, depend on:

- Contact intensity,
- Degree of GVC fragmentation,
- Digitizability of the sector
- Degree of digitization in different sectors and different countries.

Lessons from the pandemic and trade war will push business to build more resilient production systems and supply chains.

Digital technology: A driver in sustainable post-pandemic economic recovery

- Already played an important role in the fight against Covid19, live with pandemic.
- Change the contact intensity of an industry; Enhance the resilience of value chains
- Offer solutions to the challenge of social distancing
- Foster new drivers of growth for post-pandemic economic recovery.
- But will also result in increasing income inequalities.



Policy implications to ensure a sustainable & inclusive recovery

- Digital technologies will be an important driver of post-pandemic economic recovery.
- Digital transformation requires essential digital competencies.
 - Digital skills, digital infrastructure and a business environment favourable to them.

Policy actions should emphasize:

- The development of digital infrastructure, skills and competencies.
- The provision of technical assistance and training, especially for the poor and for SMEs.
- Prioritise the use of online digital technologies for knowledge transfer and diffusion; esp. during a crisis when human mobility is hindered.
- International cooperation in a wide range of aspects is crucial to enable developing countries to harness the benefits of digital technologies.