

COVID-19 and organization of global value chains.

A discussion of arguments on value chain
organization and the role of the WTO

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Background of paper



- The COVID-19 pandemic sparked two different discussions on value chain organization:
 - Adverse shocks to production and difficulties to travel and transport goods: discussion about changes in value chain production
 - Rising demand for medical goods and export restrictions: discussion about guaranteeing provision of essential goods
- Our paper: address both positive and normative questions:
 - Can we expect changes in value chain organization associated with COVID-19?
 - Should governments promote changes in value chain organization?

Positive approach



- Three reasons for changes in value chains associated with COVID-19
 - Rising trade costs
 - Trade as shock propagator versus trade as shock absorber
 - Diversification to absorb shocks
- Reasons for changes in value chains existing before COVID-19
 - Rising wages in emerging countries
 - New technologies and robotization
 - Rising tariffs and trade policy uncertainty
 - Structural changes (rising services share, climate change, quest for sustainability)

Normative approach



- Three reasons for government intervention in value chain organization
 - Confront classical market failures
 - Bounded rationality in assessing value chain risks
 - Imperfect information about value chains
 - Externalities to other players along value chain
 - Guarantee provision of essential goods
 - Achieve social, environmental and geopolitical objectives



Some questions for the webinar



Positive approach

1. Is there already empirical evidence about changes in firms' strategies leading to changes in actual trade flows?
2. Are most of the expected changes in value chains in the next years related to the pandemic, to pre-existing trends, or to expected changes in global trade policies (fears of decoupling)?

Normative approach

3. How to define essential goods and differentiate essential from non-essential goods? Are changes in multilateral rules on trade in essential goods needed?
4. What is the best way for countries to guarantee the supply of essential goods: (i) domestic production capacity; (ii) stockpiling; (iii) diversifying sources of supply; (iv) flexible manufacturing?