

## Key Messages and Findings

### I Benefits of GVCs

- € GVCs foster positive outcomes for firms in developing economies by improving productivity and alleviating information and finance constraints workers benefit from higher wages and better working conditions
- € When GVC integration fails to deliver expected benefits it is often due to underlying market failures such as labour market frictions market power by large firms and structural disparities
- € Policies for inclusive development should focus on facilitating entry into GVCs and increasing spillovers to the domestic economy Current efforts are too often limited to improving inclusiveness exclusively within GVCs

### II Vulnerability

- € The export value and share of potential bottleneck products had been increasing since contributing to the vulnerability of GVCs Also there was considerable concentration in sources of foreign value added
- € Trade in services was particularly affected by the pandemic and merchandise trade was negatively impacted by the rising trade tensions
- € The trade tensions and the COVID-19 pandemic highlighted the need to improve economies' resilience and mitigate dependence on a limited number of suppliers
- € Digitalization was a key tool for resilience and recovery during the pandemic and facilitated access to labor supply for certain industries especially the services sector
- € GVC-related trade increased in 2020 and 2021 occurring alongside considerable growth in exports A general shortening of GVCs is also observed during these years relative to the overlapping periods of PRC-US trade tensions and the COVID-19 pandemic

### III Potential for deglobalization

- € The PRC-US trade tensions and the ongoing Russian war in Ukraine are having huge impacts on global energy supply chains making geopolitical concerns the dominant factor in the policies governing energy trade

