

Summary of the CCD and IGCC Roundtable

The Future of Global Supply Chains - The Next GVC Report

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The Center for Commerce and Diplomacy at the UC San Diego School of Global Policy and Strategy as well as the UC Institute on Global Conflict and Cooperation came together to sponsor a roundtable discussion on the next [Global Value Chain \(GVC\) Report](#) on Sept. 26, 2022.

The GVC Report, which was most recently released in 2021, is a collaborative effort between the World Trade Organization (WTO), the Asian Development Bank (ADB), the Institute of Developing Economies– Japan External Trade Organization (IDE-JETRO), the China Development Research Foundation and the Research Institute for Global Value Chains at the University of International Business and Economics.

The report emphasizes the increasing importance of intangible goods and services outside of the traditional manufacturing ecosystem as a result of digitization. The upcoming report will be the fifth in a biennial series and strives to better understand the ever-transforming world of global value supply chains.

Leaders from academia, policy, and business gathered together to discuss this upcoming edition of the GVC and highlight the most pressing factors shaping global supply chain. Panelists included Caroline Freund, Dean of the UC San Diego School of Global Policy and Strategy, Kyle Handley, CCD Associate Director and Associate Professor at the UC San Diego School of Global Policy and Strategy, Pilar Dieter, CEO and Managing Partner of YCP Solidiance, and David Chen, Deputy Director of the Taipei Economic and Cultural Office in Los Angeles

The discussion highlighted the role of global supply chains in shaping the global economy. Panelists argued that as supply chains became more integrated across borders, the U.S. and Europe had greater incentives to reduce the use of protectionist policies and pursue trade agreements to make those gains permanent. Even though public opinion has demonized global supply chains because they are easy to blame, and consumers want full shelves and stable prices, changes in demand arising from the pandemic, along with geopolitics, are the main causes of disruptions in the supply chains. Therefore, the real topic to focus on is the reshaping of supply chains.

The link between regulations and global supply chains was also discussed. Participants suggested that while the “race to the bottom” on regulations and taxes is often discussed, the

difficulty for firms to customize their products to the various regulations of different countries has not been addressed, since most companies are in fact in compliance with these differing regulations. New trade agreements can work to minimize the risk in supply chains because often adverse restrictions are applied after products are exported. They also could take into account fast-growing sectors such as digital services.

Thinking beyond the physical was one of the most emphasized topics of the roundtable. As discussed by the participants, the most rapidly growing aspect of the global value chain is services, and especially digital services. Unlike traditional physical products, value is continuously added to a digital product beyond its production through its maintenance and gradual innovations. Because there are large disparities across countries in their ability to protect and maintain intellectual property, private information, and digital products, certain countries have become digital safe havens for firms. Gains from future trade agreements could stem from harmonizing the patchwork of domestic regulations and government digital services trade across countries. When firms seek out international locations to conduct business, they often put substantial research effort into understanding the political and economic climate of the potential operation. A country with strong digital infrastructure greatly increases its comparative advantage in the modernizing world. This is why trade agreements like the Indo Pacific Economic Framework will further encourage policies in regard to intellectual property and digital security. One panelist agreed that “diversification is the name of the game.” Although supply chains have been changing and modernizing, thoughts and behaviors of the public and policymakers are still behind.

Towards the end of the roundtable, the discussion shifted toward the complicated ongoing conflict between China and Taiwan. One attendee highlighted semiconductor production within Taiwan and argued it is vital for the United States to maintain a strong economic relationship with them. In the case of semiconductors, having the capabilities to produce such a valued item in the modernizing world is something Taiwan has worked very hard to achieve. China, which at this time declares Taiwan as within its official domain, has grown to be the production hub of the world over the past two decades. This rapid economic ascension has dramatically increased China’s diplomatic influence over Taiwan and its allies. As a result, agreements made between Taiwan and the United States will require intense political negotiation. It might be the greatest challenge to overcome in order to prevent further trade wars and military conflict that disrupt the supply chain ecosystem.

This roundtable addressed some of the greatest changes and concerns regarding the future of global supply chains. The most important takeaway is directed toward governments and firms, both large and small: participants in the global supply chain should understand the changes following from the modernization and digitization of production. Just as politics and leadership is always evolving, so too are global supply chains.