



POST-COVID-19,
REIMAGINING THE GLOBAL VALUE CHAIN

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By Amit Patel

ABSTRACT

The COVID-19 pandemic has created an unprecedented global humanitarian and economic crisis. It has revealed significant vulnerabilities of an interconnected and interdependent global value chain that drives economies around the world. The pandemic has affected global manufacturing and will leave its legacy for years to come. This white paper provides insights on how organizations can reimagine their global value chains and make them more resilient to withstand any future pandemics or economic uncertainties.

“Failure is the opportunity to begin again more intelligently.”

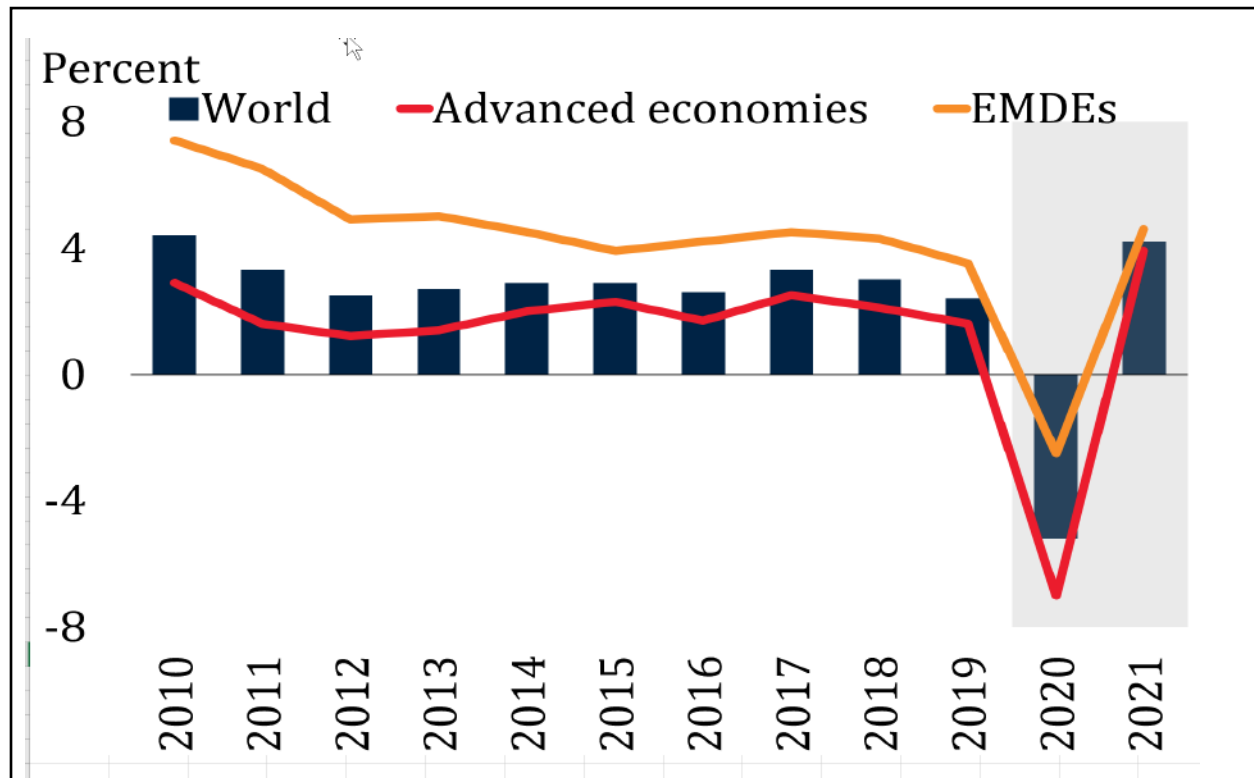
Henry Ford



INTRODUCTION

In addition to creating an unprecedented humanitarian crisis, the COVID-19 pandemic has created a global economic crisis. With advanced economies contracting, China experiencing record-low growth, and the emerging market and developing economies (EMDE) savaged by external and domestic headwinds, the global economy is expected to shrink by 5.2% this year in a baseline forecast. This would be the deepest global recession since World War II, and almost three times as steep as the 2009 global recession.¹ This is illustrated in Figure 1.

Figure 1, 2020 Global Growth Prospects Look Bleak



Source: World Bank, June 2020

The COVID-19 pandemic will have a significant and long-lasting impact on globalization and has illuminated the vulnerabilities of the global value chain (GVC). The over-reliance on outsourcing for manufacturing and exports for essential goods has proven to be disastrous. Failure to address these challenges head-on will adversely impact the ability to spark a global economic recovery.

¹ Global Economic Prospectus, World Bank Group, June 2020



WHAT ARE GVCs?



To better understand GVCs, we must first understand what they are, and the difference between them and supply chains.

A **supply chain** is a link between businesses, resources, and processes that are part of the marketing or distribution of a product so that it gets to the end-user; a supply chain emphasizes the manufacturing and distribution-related steps.

A **value chain** describes the full range of activities that firms engage in to bring a product from its conception to its end use and beyond. This includes design, production, marketing, distribution, and support to the final consumer. Value chain activities may produce goods and services within a single firm in a single geographical location, or be distributed across firms spread over wider areas within a specific region.

A **global value chain (GVC)** is divided among multiple firms and dispersed across geographies. They take a holistic end-to-end perspective of activities, resources, assets, capabilities, relationships, technologies, and financial and operating data. This holistic thinking helps in identifying opportunities that emerge from challenging the status quo.

HOW HAS COVID-19 IMPACTED GVCs?

GVCs are a globalization enabler. Over the past three decades, GVCs have powered an economic revolution helping poor countries grow faster and lifting many out of poverty. Today, GVCs account for almost 50% of global trade. ²

² Key Messages, World Development Report [2020](#)

