

# Fractured Global Value Chains post COVID-19: Can India gain its missed Glory?

May 2020

- On May 29, 2020, Brookings India organised a webinar on Fractured Global Value Chains post COVID-19: Can India gain its missed glory?
- The panel featured **Dr Harsha Vardhana Singh**, Senior Fellow, Council on Emerging Market Enterprises, Fletcher School of Law and Diplomacy, and former Deputy Director-General at the World Trade Organization; **Dr Aaditya Mattoo**, Chief Economist of the East Asia and Pacific Region at the World Bank, and former Economic Counsellor at the World Trade Organization; **Professor Prema-Chandra Athukorala**, Professor of Economics, Arndt-Corden Department of Economics, Crawford School of Public Policy, Australian National University; and **Dr Rana Hasan**, Director, Development Economics and Indicators Division, Economic Research and Regional Cooperation Department, Asian Development Bank.
- **Dr Rajesh Chadha**, Program Director, Natural Resources, Brookings India, moderated the panel discussion.

## Fractured Global Value Chains post COVID-19

Dr Rajesh Chadha opened the discussion by briefly explaining the idea and motivation behind this panel discussion. He highlighted the importance of global value chains for job creation and of India's economy. He also referred to the government's resolve to make India self-reliant and make it more competitive in Global Supply Chains. He alluded to the work on this subject published by Brookings India as well as by the panellists.

### India's integration into GVC's

Dr Aaditya Mattoo started the discussion by pointing out that India has deep engagements in GVC's, but its participation is relatively low. He explained that India has both underachieved and overachieved in the global value chains as India failed to take full advantage of the first transition from commodities to labour intensive manufacturing but in contrast to that India showed a comparative advantage in both basic and advanced manufacturing as well as services. Thus, skipping a few steps to show a precocious transition.

Dr Mattoo, giving a background on the COVID-19 crisis, cautioned against the "lasting legacies" of the COVID-19 shock which would be protectionist trade policies and increased use of technology and automation. He supplemented this claim by showing the resilience of the services globalisation and the increase in export restrictions. He suggested using these challenges to India's advantage to remedy weakness in manufacturing and reinforce strength in services.

### India's experience in global production share

Professor Prema-Chandra Athukorala started by showing us a comparison of the market penetration of India compared to other East-Asian developing countries which showed much lower growth. He then discussed the shift of production bases from China, which started not only due to the COVID-19 crisis but began much before that, which India did not benefit from. He also suggested areas that India should focus on to take advantage of this shift – "labour and human capital, services link cost and proactive investment promotion."

## Missing manufacturing sector

The next part of the panel discussion focussed on improvement of the missing manufacturing sector where Dr Rana Hasan pointed out that “India needs Make in India to Succeed”. He focussed on two main ideas to facilitate greater integration into global value chains. He suggested that the Indian policy environment needs to encourage skill development in small scale firms to overcome the human development stagnation faced by them due constraints to infrastructure, regulatory environment, administrative processes, inspection regimes and market entry-exit related issues. He also indicated towards the problems with the stability and reliability of policies.

Dr Hasan challenged the misconception that greater automation would lead to contraction of employment opportunities. He supplemented his argument by using the example of China, which is a big services exporter. He concluded by informing us about the work Asian Development Bank (ADB) is doing to develop Special Economic Zones (SEZ's) in India.

## Way forward for India

Dr Harsha Vardhana Singh, tied up the whole discussion by providing potential ideas that India should follow to

attract FDI and to benefit from global value chains. He explained that India needs “a strategic perspective, good coordination and competitive policy” to be an integrated part of GVCs which not only includes good and services but technology and labour too.

Dr Singh focussed his discussion on the need for a policy chain to be integrated into global value chains through the formation of high-level committees. These committees should focus on creating sector specific policies to have the largest impact in a short span of time. He shed light on the major issue with policy in India – lack of implementation of policies and suggested a “specific institutional mechanism to monitor implementation.”

## Concluding Remarks

Dr Chadha said that the discussion was very enriching and shed light on the importance of Global Value Chains for India's economy post COVID-19. He thanked the panellists, the Brookings India team and the attendees.

**Watch the full video:**

<https://www.youtube.com/watch?v=XFung8Djvfw>

**Read the full transcript:**

<https://brook.gs/2APvjKe>



(From L to R): Dr Rajesh Chadha, Program Director, Natural Resources, Brookings India; Dr Rana Hasan, Director, Development Economics and Indicators Division, Economic Research and Regional Cooperation Department, Asian Development Bank; Dr Aaditya Mattoo, Chief Economist of the East Asia and Pacific Region at the World Bank, and former Economic Counsellor at the World Trade Organization; Dr Harsha Vardhana Singh, Senior Fellow, Council on Emerging Market Enterprises, Fletcher School of Law and Diplomacy, and former Deputy Director-General at the World Trade Organization; Professor Prema-Chandra Athukoral, Professor of Economics, Arndt-Corden Department of Economics, Crawford School of Public Policy, Australian National University.

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