

Ifri Center for Asian Studies, Annual Conference 2021
“East Asia’s Evolving Economic Order: Toward Cohesion or Fragmentation?”
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Session: Restructuring value chains in East Asia: myths and realities

Supply chains survived COVID-19

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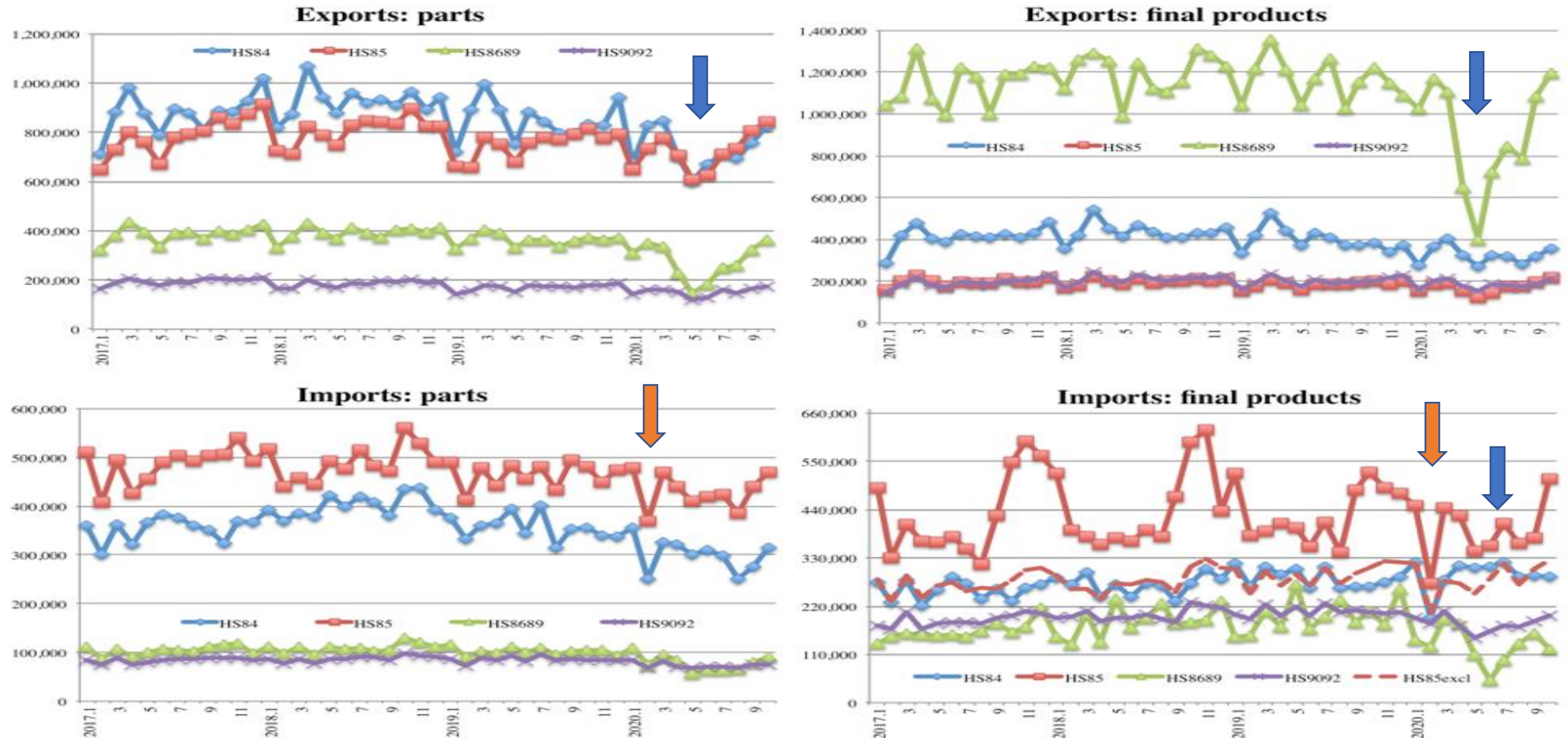
Five "facts" on supply chains under COVID-19

1. COVID-19 did not kill supply chains.
2. International production networks (IPNs) represented by machinery industries were more robust and resilient than usual international transactions.
3. Extensive and sophisticated supply chains were more robust and resilient, particularly against supply shocks from upstream.
4. Actual "decoupling" has so far been observed only for limited products with sensitive technologies and rare earth/metal.
5. The rule-based trading regime has been an important infrastructure for IPNs in East Asia.

Machinery exports and imports by Japan: monthly, HS84-92

Figure 2 Japan's machinery trade by sectors: trade values

(Unit: millions JPYen)



Data: author' preparation.

Note: HS85excl is the case excluding HS851712.

Source: Ando, Kimura, and Obashi (2021).

Value chains with/after COVID-19

- In the short run, infection waves will slow down the opening.
 - However, supply chains will continue to work.
- At least in the middle run, IPNs will be rather strengthened with the intensive use of communications technology.
 - From substitutes to complements to strengthen dispersion forces.
- The third unbundling will pick up its pace.
 - How big can it be? Regulatory framework?
- “Decoupling” will go on though the scope is likely to be limited (and blurred).
 - China as an important business partner; semiconductor and others?
- The rule-based trading regime will continuously be important.
 - WTO reform; the role of CPTPP and RCEP