

## **CENTRAL ASIAN COUNTRIES AND GVC: THREATS AND WAYS TO PROMOTE ECONOMIC SECURITY DURING THE PANDEMIC**

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### **Abstract**

The political debate about whether the benefits of international specialization in global value chains (GVCs) outweigh the associated risks of transmission of shocks has intensified since the COVID-19 outbreak and the resulting supply chain disruptions for some goods. There are even questions about whether governments should use political tools to re-localize GVCs. The COVID-19 crisis has revived discussions about the international fragmentation of manufacturing. Supply chain disruptions for a number of key commodities, including medical, during the COVID-19 outbreak showed the interconnectedness and interdependence between countries through global value chains and renewed the discussion about the threats and benefits of globalization. Moreover, OECD experts emphasize the risks and instability associated with the international fragmentation of production [17].

GVCs bring significant economic benefits to both participating firms and countries. Specialization and economies of scale lead to an increase in labor productivity, as well as a decrease in product prices [13, 14] (Andrews, Gal, Witheridge, 2018). GVCs also create new opportunities for small firms and participants from emerging and developing countries, as they no longer need to master all stages of complex manufacturing processes to participate in the global economy.

While the benefits of increasing the efficiency of GVCs are well known, there are questions about whether the benefits of deepening and expanding international specialization in GVCs outweigh the associated risks and instability. The risks associated with GVCs were initially identified at the very first stage of the pandemic in early 2020, when the public health situation in China led to a suspension and lockdown. Most of the world's manufacturers are closely linked to the Chinese economy, and many companies have reported production and trade disruptions as China plays a critical role in the GVC.

Although it is sometimes difficult to distinguish between disruptions in supply and demand, and the effects of the crisis continue to be felt, it appears that some of these disruptions have proved to be temporary. For example, Chinese exports of medical devices are recovering, and GVCs in the electronics or engineering industries have continued to operate during the COVID-19 crisis (albeit at a lower scale). GVCs in the food industry have also been shown to be quite resilient. Despite this, discussions about the distribution of economic shocks across

industries and geographies through GVCs, as well as the role of GVCs in managing these shocks [15, 16], are intensifying.

The discussion revolved around the question of how to improve the stability and resilience of GVCs while maintaining efficiency gains from specialization and comparative advantage. Some experts argue that more localized production will provide greater security of supply and less uncertainty for consumers and businesses, thus calling for an overhaul of GVCs, or at least a rethinking of their organization [17]. But reorientation also means greater dependence on domestic production.

Features of value chains were analyzed even in the pre-pandemic period in scientific publications by such economists as Andreeva T.V., Kurlykova A.V. [1] (Andreeva, Kurlykova, 2019), Giza F., Zaitsev A.A. [2] (Giza, Zaytsev, 2015), Lubskaya E.V. [9] (Lubskaya, 2017), Simonova M.V. [12] (Simonova, 2019) and others. The consequences of the pandemic for the world economies are reflected in the studies of experts such as Drobot E.V. [3, 10] (Drobot, 2020; Makarov, Drobot, Avtsinova, 2020), Korabeynikov I.N., Borisyuk N.K., Smotrina O.S. [7] (Korabeynikov, Borisyuk, Smotrina, 2021), Kostin K.B., Khomchenko E.A. [8] (Kostin, Khomchenko, 2020), Makarov I.N. [10] (Makarov, Drobot, Avtsinova, 2020) and others. However, there is a lack of research on assessing Russia's place in the GVC, analysis of threats to global and regional value chains in the context of the COVID-19 coronavirus pandemic.

The scientific novelty of the study lies in the fact that the necessity of stimulating the innovative modernization of the domestic production system, taking into account the advanced world standards of green economy and resource efficiency, is justified, which requires optimization of the institutional base of the economic systems, including the reform of structural and trade policy of countries.

Opportunities in global value chains to stimulate countries' economic growth

CA has opportunities to stimulate modernization in advanced manufacturing and service GVCs. These opportunities include three areas:

- 1) deepening and expanding participation in the GVC in the manufacturing industry, in particular in the commodity sectors such as the chemical industry, metallurgy and the food industry (functional and product modernization);
- 2) inclusion in more complex GVCs in manufacturing segments and in modern higher value-added services that can be exported, incl. directly (functional and product modernization);
- 3) stimulating the inflow of FDI and using their external effects, which act as a catalyst for the modernization of the CA countries GVC (process modernization).

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