Trade dimension of economic resilience

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Overview

Resilience and/or robustness

- *Resilience including robustness* [e.g. Briguglio et Al. (2009)]
  - *economic resilience* = "the policy-induced ability of an economy to withstand or recover from the effects of [such] shocks"
- *Resilience* $\neq$ *robustness* [e.g. Miroudot (2020)]
  - *resilience* = "the ability to return to normal operations over an acceptable period of time, post-disruption."
  - *robustness* = "the ability to maintain operations during a crisis"

Overview

Resilience of trade [Le Moigne and Ossa (2021)]

Note: This figure displays the quarterly evolution of GDP and merchandise trade in OECD countries during the Great Recession and the COVID-19 crisis so far. Data: OECD

Resilience of trade [Le Moigne and Ossa (2021)]

- International trade has proved surprisingly resilient
  - Fast recovery of global supply
    - Rebound of Chinese economy
  - Return to lower trade costs
    - Removal of export restrictions
    - Drop in fuel prices
  - Recovery of global demand for tradable goods
    - Increased demand for durable goods (e.g. electronics)
    - Increased demand for medical goods (e.g. PPE)
    - Boom of online shopping
- BUT recession in services
  - Impossibility to consume in-person services

Overview

Trade as a propagator of shocks

- The COVID-19 pandemic has exposed the vulnerabilities of production networks
  - Complexity of global value chains (GVCs)
  - Reliance on China as a main supplier

- Méjean et Al. (2020) estimate that an average 10% reduction in the production of Chinese firms decreases approximately by 0.5% the real GDP in European countries

$\Rightarrow$ calls for re-thinking of GVCs

Importance of diversification and cooperation

Reshoring and self-reliance not the answer - trade as an attenuator of shocks!

- Miroudot (2020): Bad luck can happen anywhere (even at home) $\rightarrow$ diversify for robustness
  - "No current evidence that complex supply chains are more impacted by COVID-19"
  - Most affected: industries that rely on movement of people
  - Diversification and international cooperation needed to respond to surges in demand in times of crisis
- Antràs et Al. (2020): globalisation can either increase or decrease the risk of a pandemic occurring

Overview

Resilience of trade

Resilience through trade

Resilient trade agreements

Resilience through trade agreements

Self-enforcing trade agreements

Trade agreements need to be self-enforcing

- Safety valves
  - The case of export restrictions …
- Dispute settlement system

Overview

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Resilience through trade agreements

Increased need for international cooperation

- Role to play in guaranteeing equitable access to vaccines, medecines, PPE…
  - Cooperation between organisations (WTO, WHO…)
- Importance of transparency/information sharing
  - Policy monitoring
  - Help businesses reduce bottlenecks in GVCs
- Development of best practices

References

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