Natural disasters and trade

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Trade impact of natural disasters

- Natural disasters and trade interact in complex, and often unexpected ways.
- A natural disaster generates economic destruction and delivers a shock to the aggregate supply.
- Trade performs as a "shock-absorber" for natural disasters.
  - Imports provide a vital channel for making goods and services available that may be in short supply.
  - Insurance and international reinsurance help absorb losses and shift the burden of disaster response and recovery.
Pressure on public finances

- Significant reconstruction financing needs
- Surge in relief and reconstruction imports
- Pressure on public finances and debt servicing
- Slow pace of recovery and reconstruction
- Sluggish recovery in goods and services exports

Source: Hallegatte & Przyłuski (2010)
Trade impact of natural disasters

- Floods and drought exert an impact on agricultural trade.
  - Almost two-thirds of all damage and loss to crops from 2006 to 2016 was caused by floods.
  - Drought remains by far the most harmful disaster for livestock, causing 86 percent of total damage and loss in the sector.

- Natural disasters can also severely affect trade in services sectors.
  - Large natural disasters lead to a decline of services exports by an average of 2% to 3%.
  - Capital-intensive service sectors such as transport and communications are most affected.
  - Tourism exports see a decline, affecting especially small economies.
Supply chain impact

- Supply chains can transmit the effect of natural disasters across countries.
  - A chain is only as strong as its weakest link.
  - Firms can diversify risk by importing from alternative suppliers.
- Strengthening resilience of supply chains is of high priority.
  - Enhanced multi-sectoral cooperation
  - Better information sharing
  - Development and adoption of international standards on resilience
  - Greater use of risk assessment tools.
Losses and Damages in Northeast Japan

Source: National Research Institute for Earth Science and Disaster Resilience (2011)
Thank you!

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