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COVID-19 and the Global Economy

Marion Jansen

Selected presentation for the International Agricultural Trade Research Consortium's (IATRC's) 2020 Annual Meeting: Economic Implications of COVID-19, December 14-15, 2020, Virtual platform.

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COVID-19 and the Global Economy

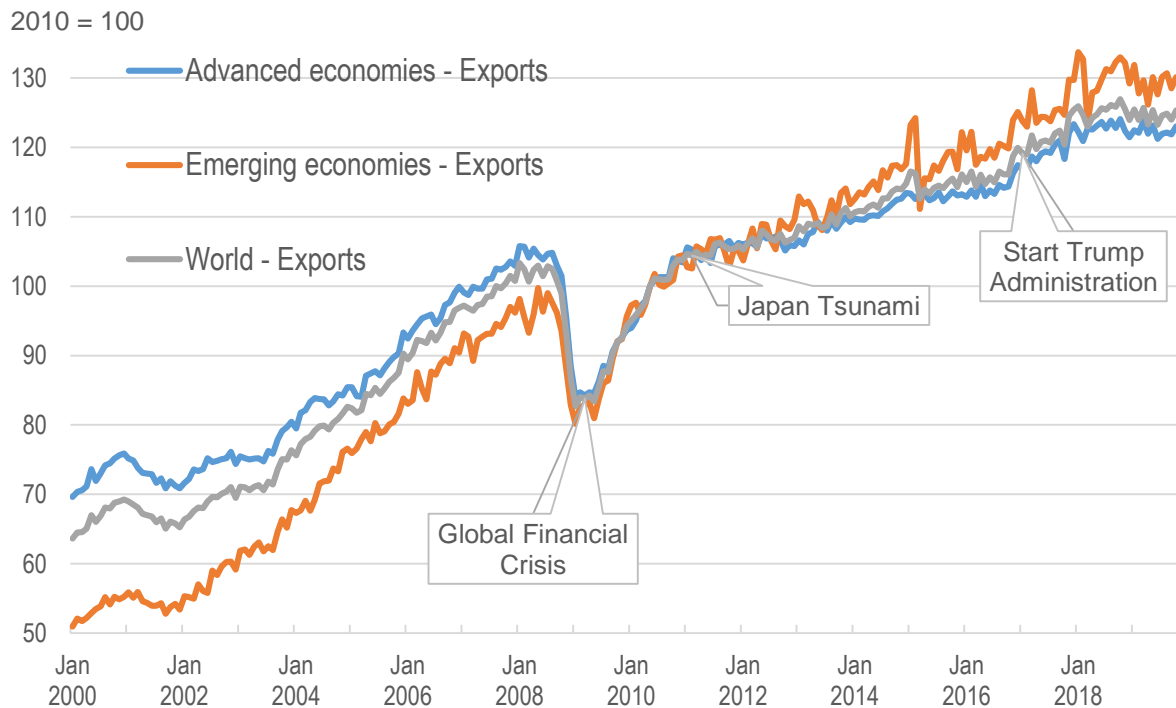
Marion Jansen, Director

Trade and Agriculture Directorate, OECD

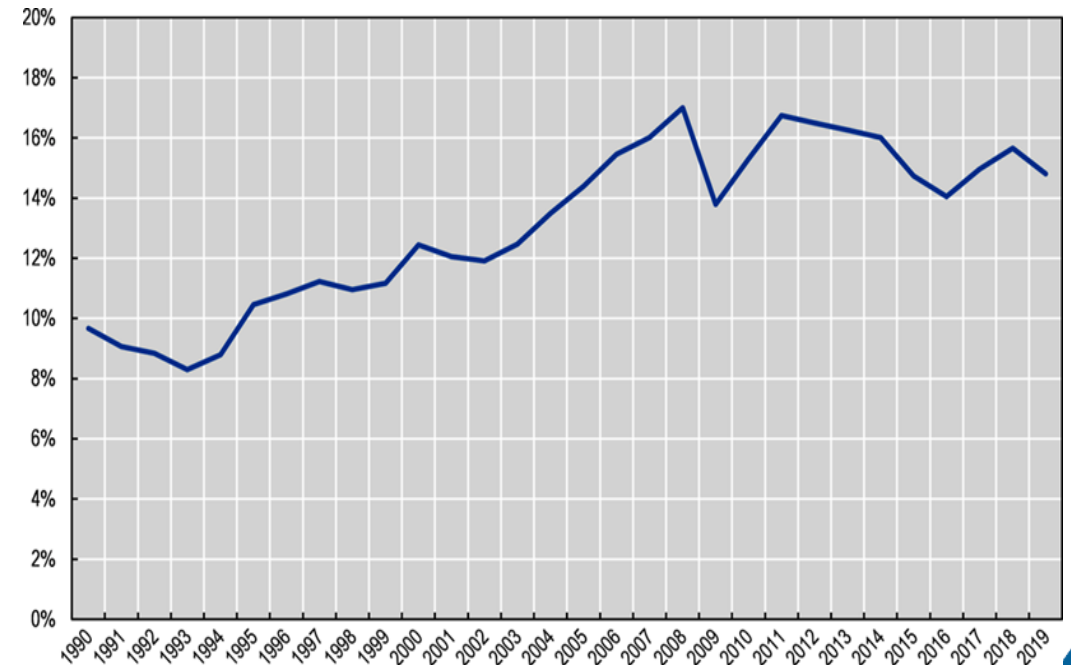
IATRC Theme Day
14 December 2020

» The World Pre-COVID, Post-GFC

Global merchandise trade up to 2020



The import intensity of production reached a peak in 2008



Source: CPB World Trade Monitor; OECD. The ratio indicates the value of trade in intermediate goods and services as a percentage of gross output.



THE COVID-19 CRISIS

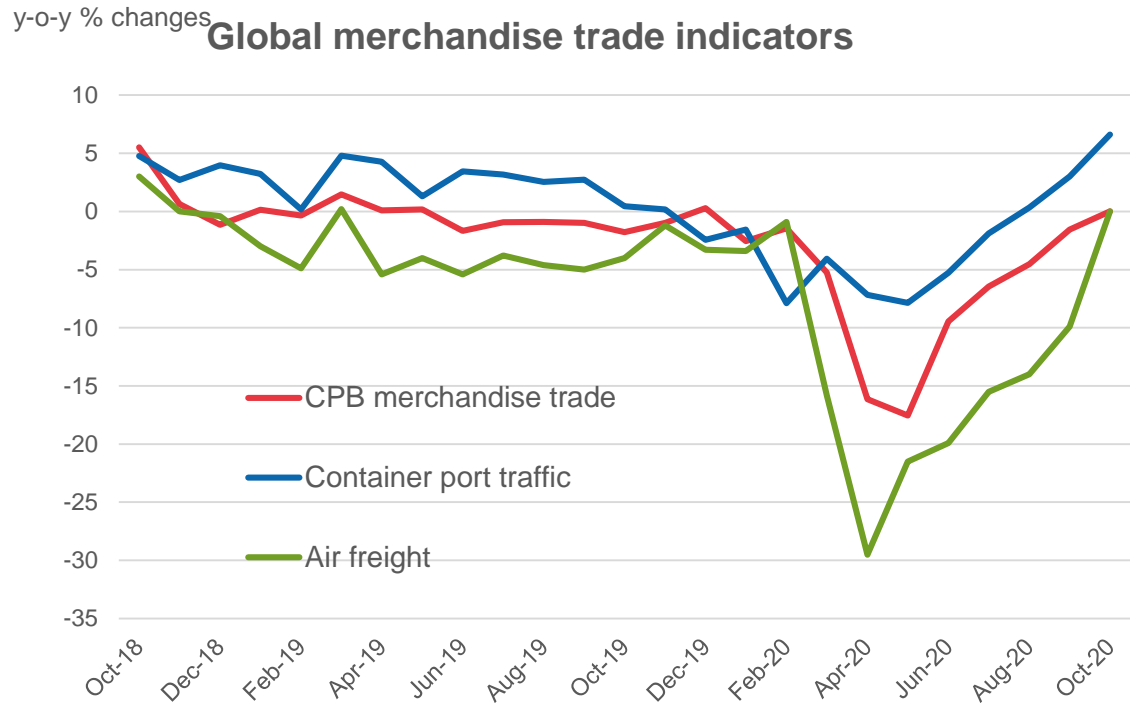


A less global world?

- Lower trade flows
- Lower FDI flows
- Fewer border crossings of people

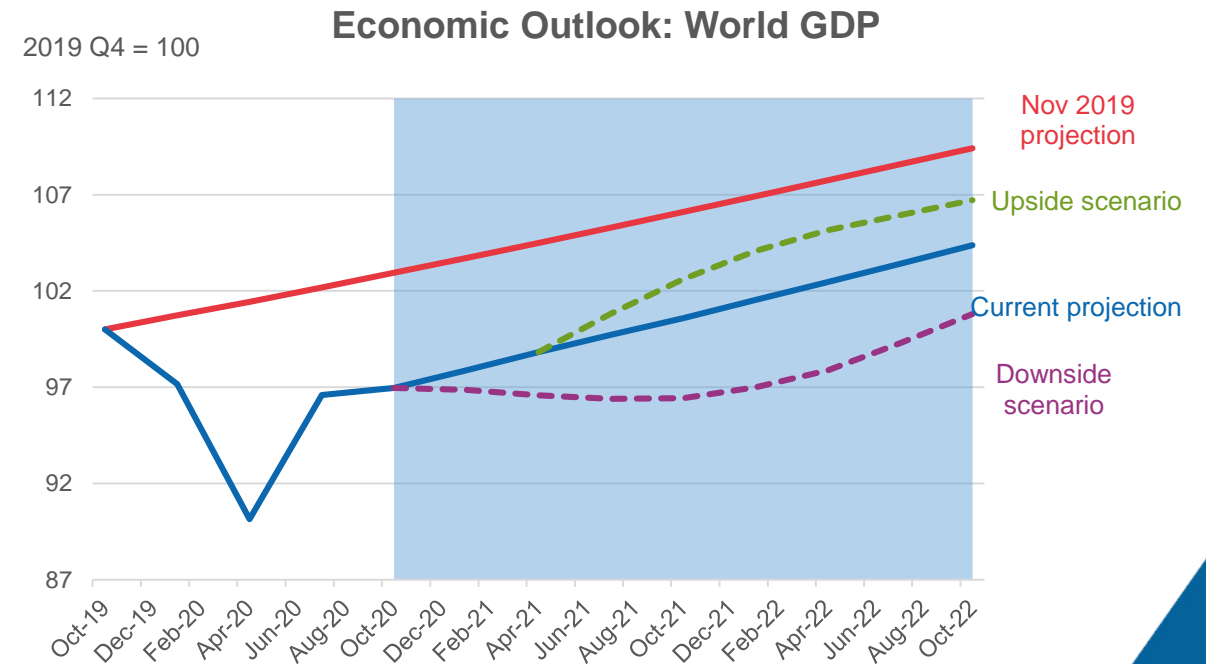
» The hit has been hard and recovery will be slow

Trade indicators show a steep drop and a tepid recovery



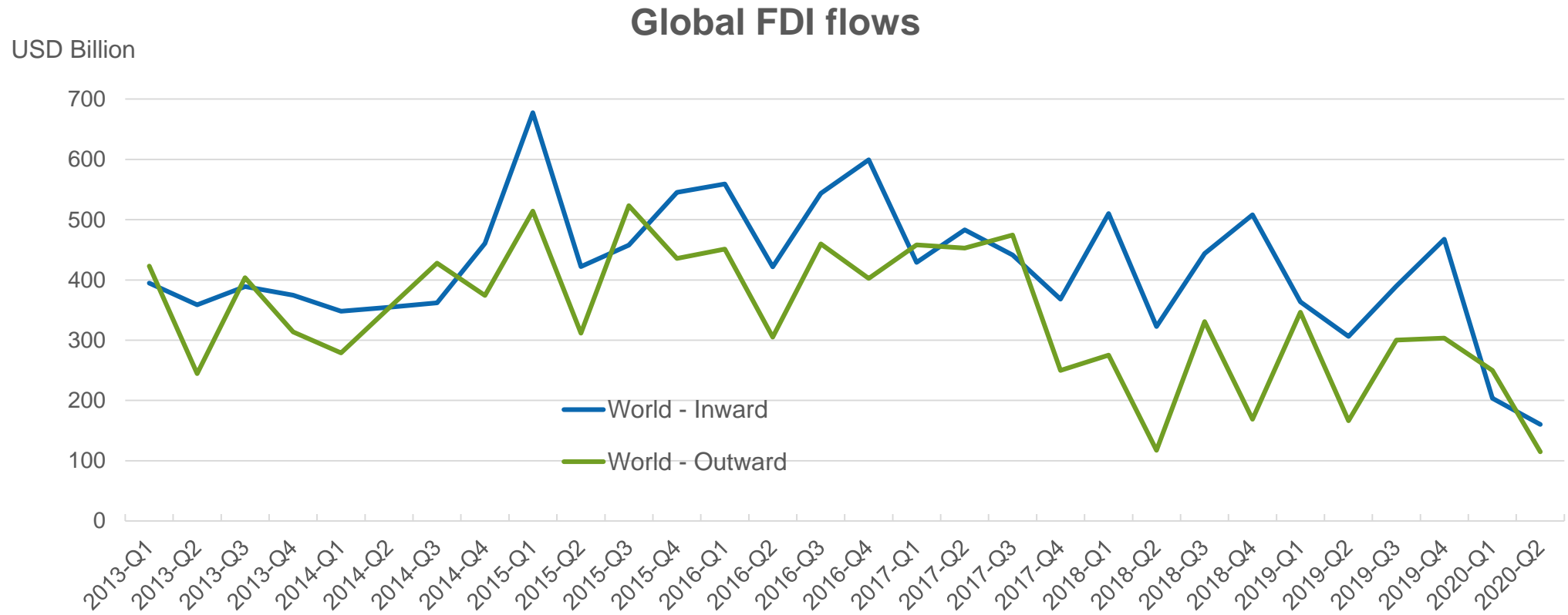
Source: CPB; IATA; RWI/ISL Container Throughput Index; and OECD calculations

GDP projections for next year show a fragile recovery and heavy losses



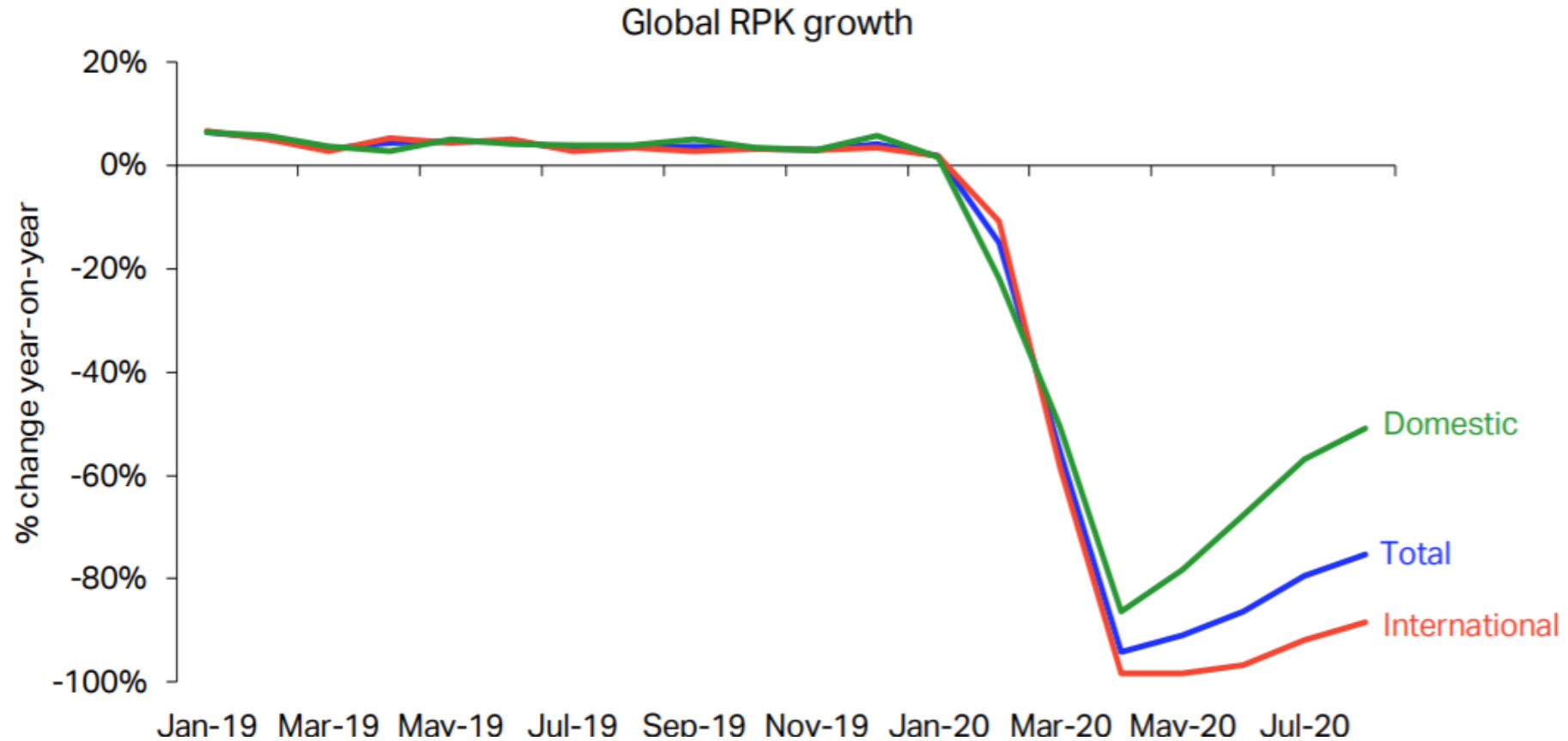
Source: OECD Economic Outlook December 2020

Global FDI flows accelerated a downward trend



Source: OECD.stat

The pace of air travel recovery slowed in August



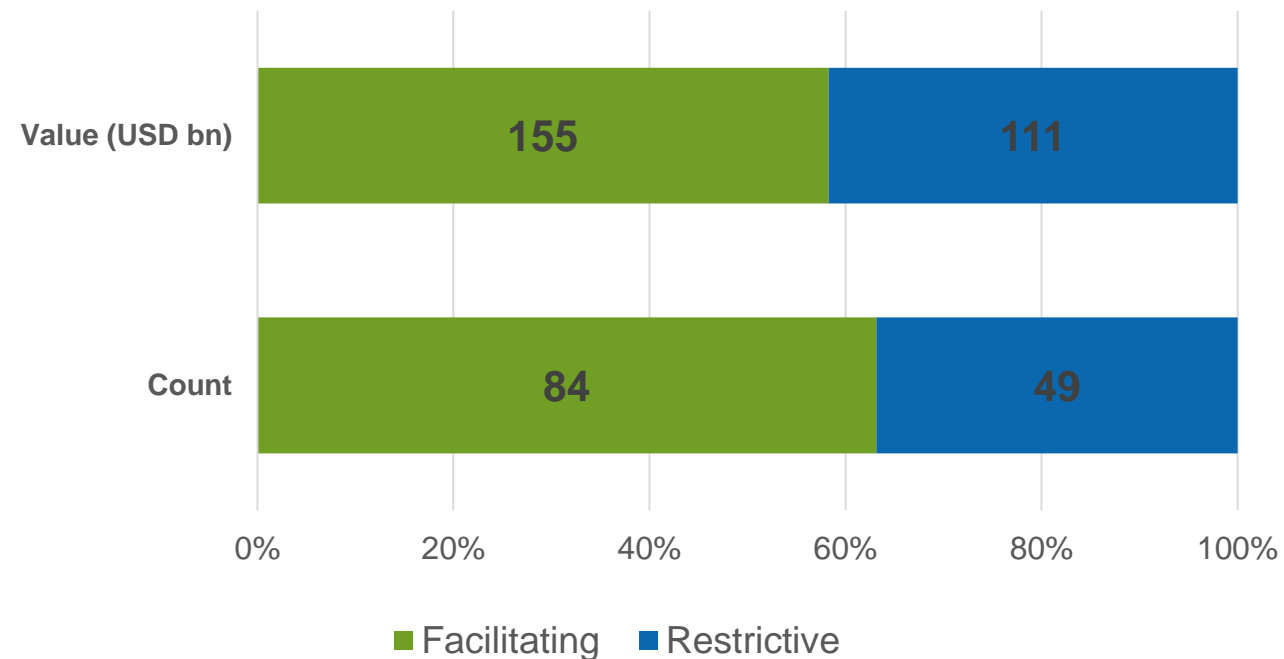
Source: IATA Economics



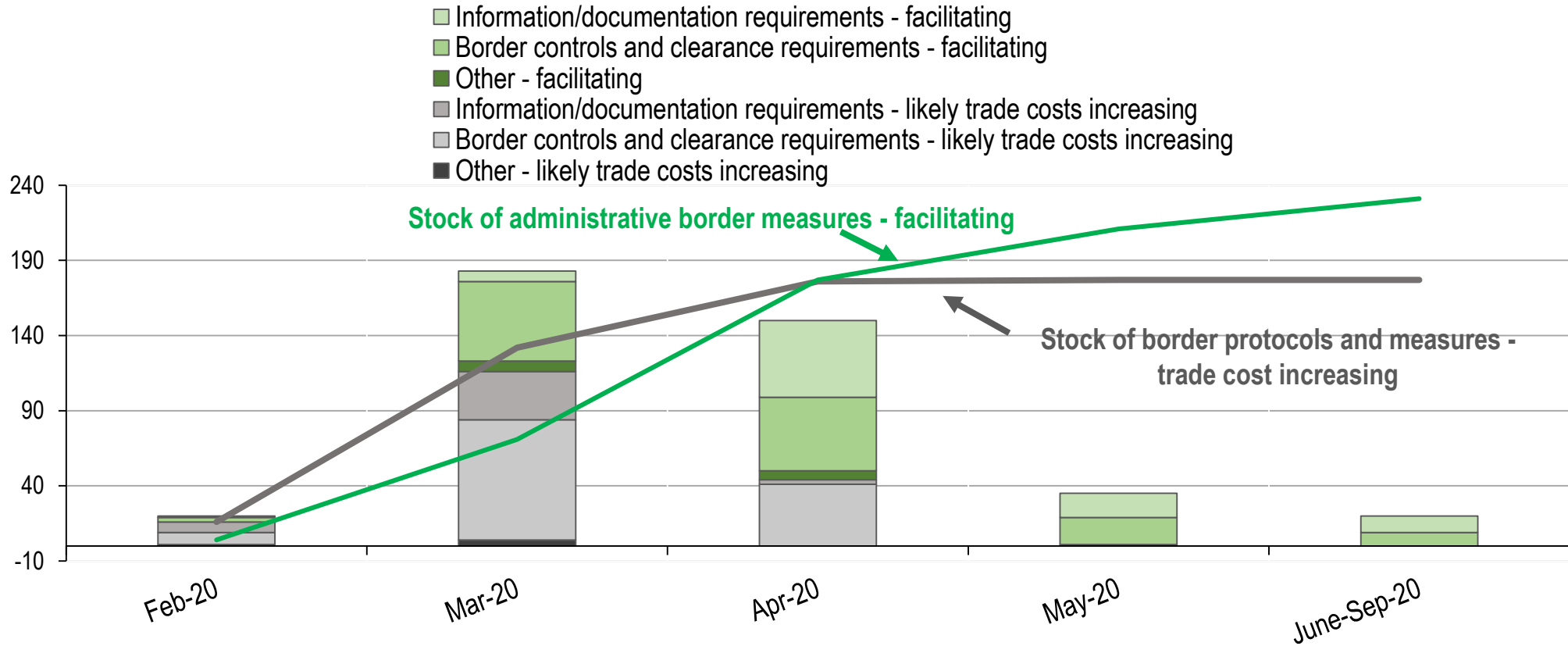
NATIONAL POLICY RESPONSES AND THE GLOBAL ECONOMY

Governments reacted with trade restrictions but also facilitation

G20 COVID trade measures until mid-October



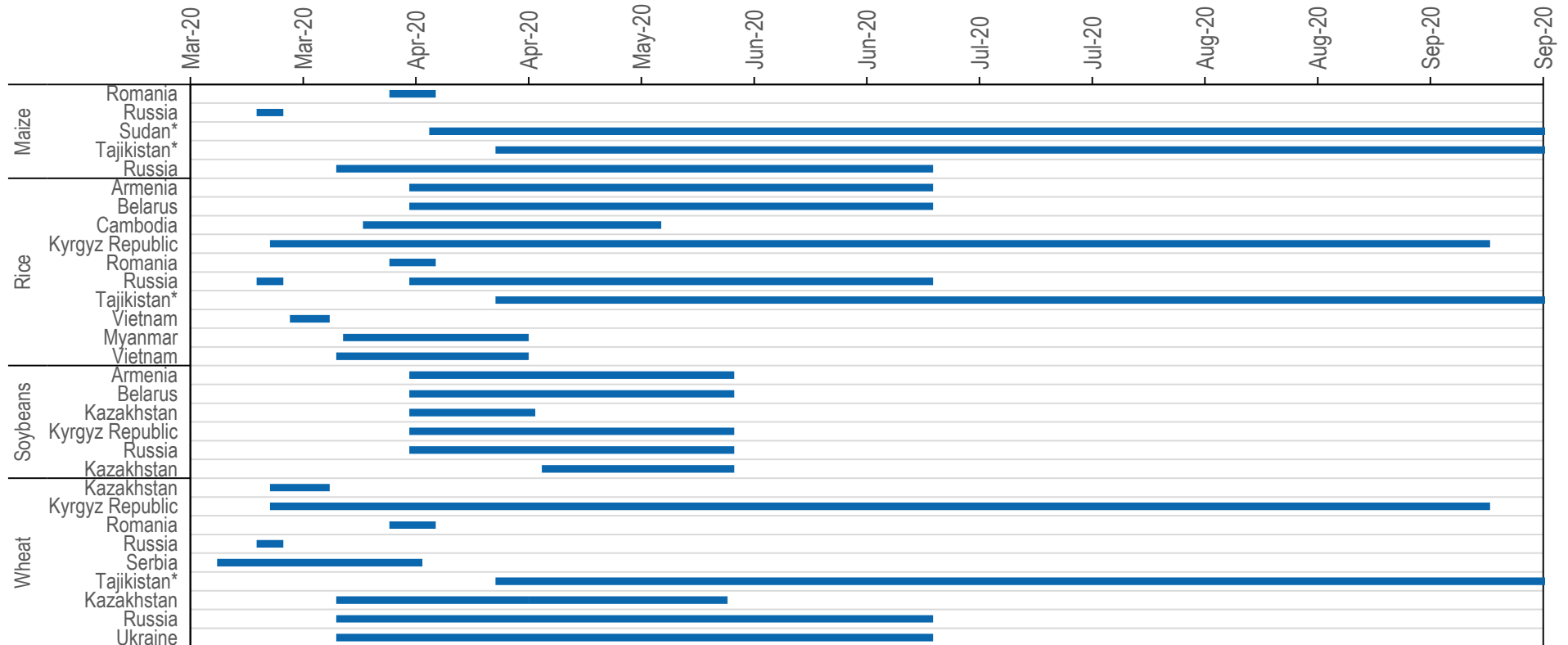
By April trade facilitation outweighed restrictions



Source: OECD

And export restrictions were mostly time-limited

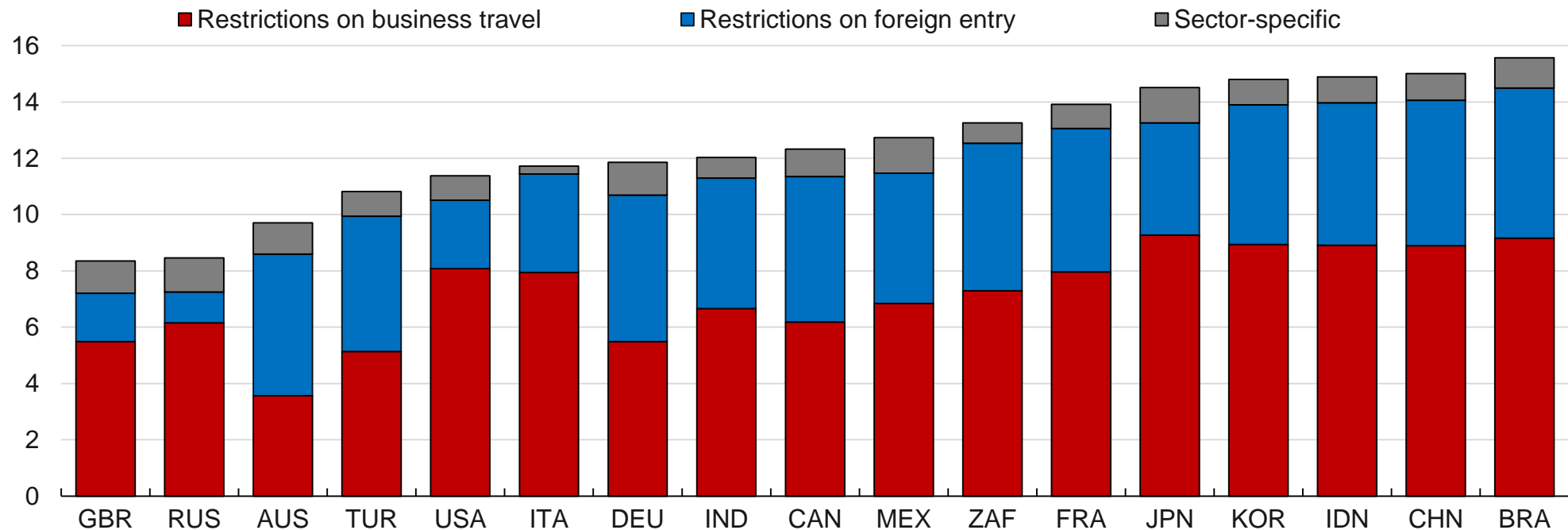
Export restrictions imposed on staple crops in response to the Covid-19 outbreak



Source: OECD

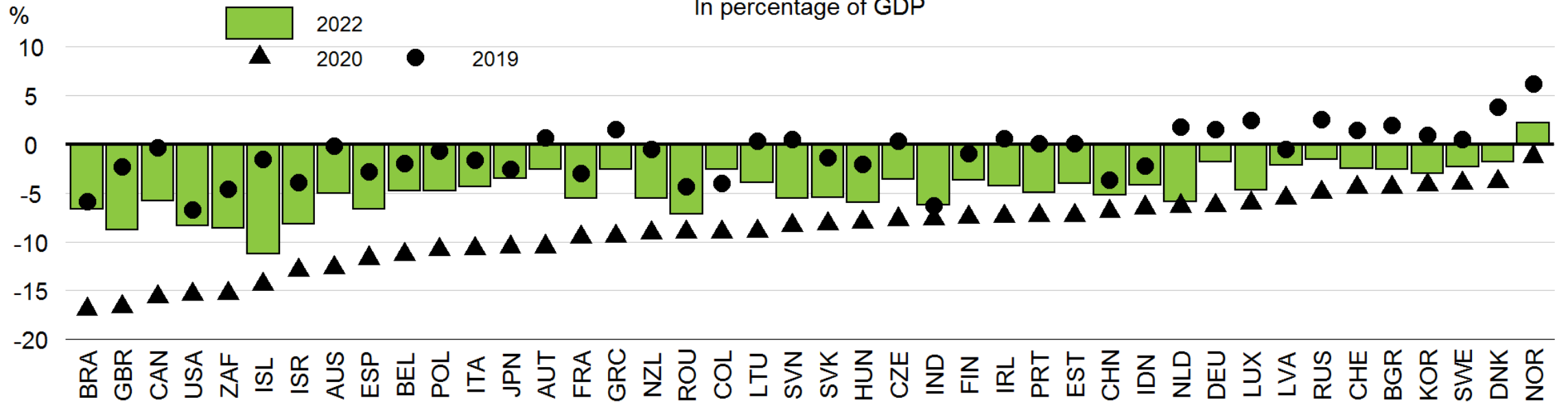
Travel restrictions add big costs to services trade

Illustrative cost impact of closing borders to passengers, % of export values



Government support has increased dramatically

A. General government budget balance
In percentage of GDP



Source: OECD Economic Outlook, December 2020



INTERNATIONAL POLICY RESPONSES AND THE GLOBAL ECONOMY



G20 Trade Ministers

- Met three times in 2020
- “any emergency trade measures designed to tackle COVID-19, if deemed necessary, are targeted, proportionate, transparent, temporary”

G20 leaders

- Debt Service Suspension Initiative (DSSI)
- modern international tax system
- enhance global cross-border payment arrangements



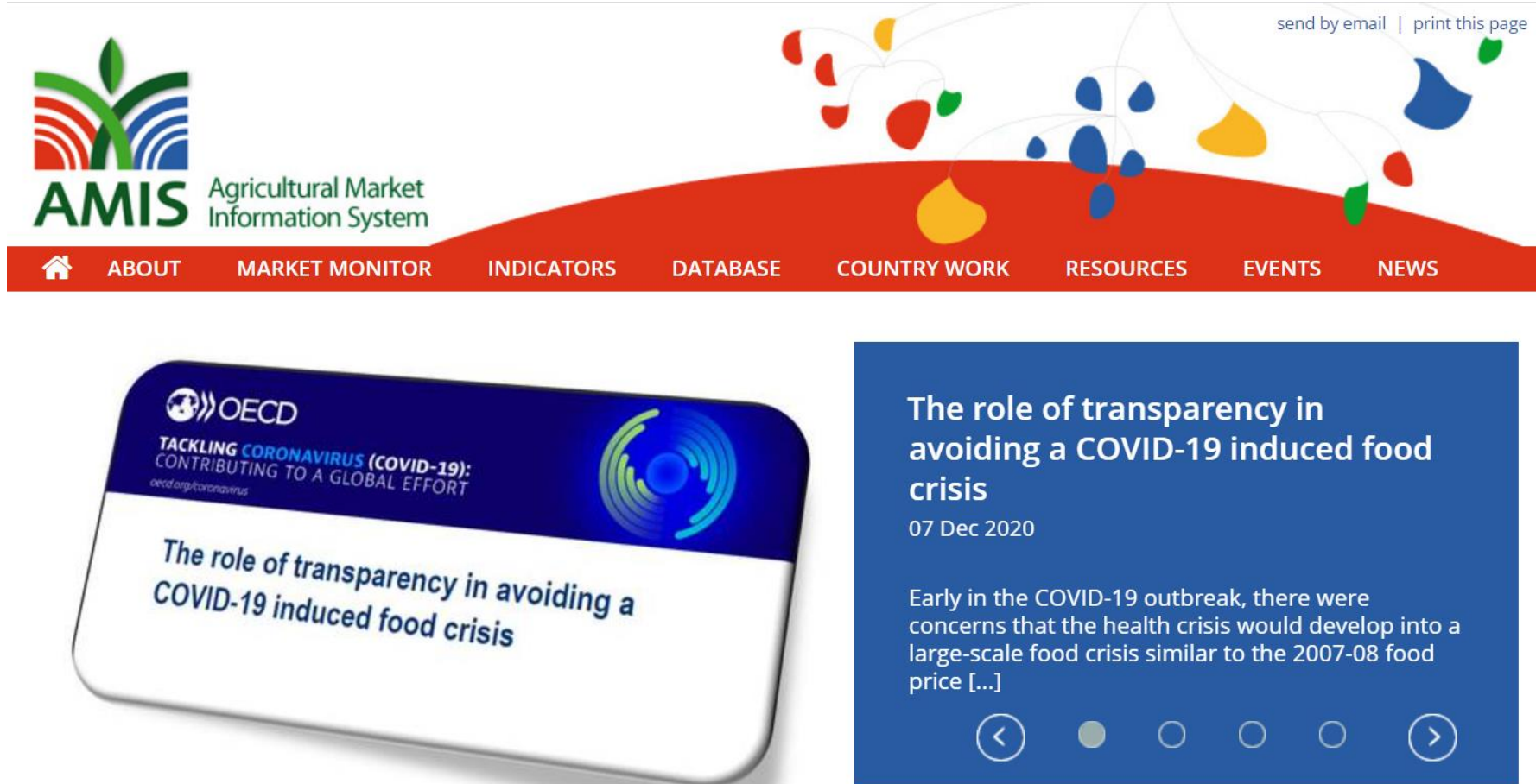
Agricultural supply chains were remarkably resilient ...

Agricultural Commodity Prices



Source: International Grains Council

» Thanks to transparency?



The screenshot shows the header of the AMIS (Agricultural Market Information System) website. On the left is the AMIS logo, which consists of a stylized green plant with red and blue curved lines below it, and the text "AMIS Agricultural Market Information System". To the right of the logo is a navigation menu with a red background and white text: "HOME ABOUT MARKET MONITOR INDICATORS DATABASE COUNTRY WORK RESOURCES EVENTS NEWS". Above the navigation menu is a decorative graphic of colorful, abstract shapes resembling leaves or petals. In the top right corner of the header area, there are links for "send by email" and "print this page".

Below the website header is a preview of a news article. The article title is "The role of transparency in avoiding a COVID-19 induced food crisis" and the date is "07 Dec 2020". The article text reads: "Early in the COVID-19 outbreak, there were concerns that the health crisis would develop into a large-scale food crisis similar to the 2007-08 food price [...]". The article preview includes the OECD logo and the text "TACKLING CORONAVIRUS (COVID-19): CONTRIBUTING TO A GLOBAL EFFORT" and "oecd.org/coronavirus".

Multiple initiatives to facilitate cross-border travel are underway

news LATEST CORONAVIRUS ECONOMY CULTURE SPORTS INTERVIEW

Estonia and World Health Organization digitally sign cooperation agreement

NEWS

ERR News

06.10.2020 08:15



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Home » News & Speeches » ICC and International SOS launch app for digital verification of COVID-19 compliance status

ICC and International SOS launch app for digital verification of COVID-19 compliance status

News • Singapore, 06/05/2020



ICC has partnered with International SOS, the world's largest medical and security services firm, to launch the new ICC AOKpass mobile app, to provide trusted recognition of individuals' COVID-19 compliance status.

TAGS

Covid-19

ICC AOKpass



LOOKING AHEAD:

**SHORT-RUN, MEDIUM-RUN, LONG-
RUN**



WHAT TO DO? SHORT-RUN

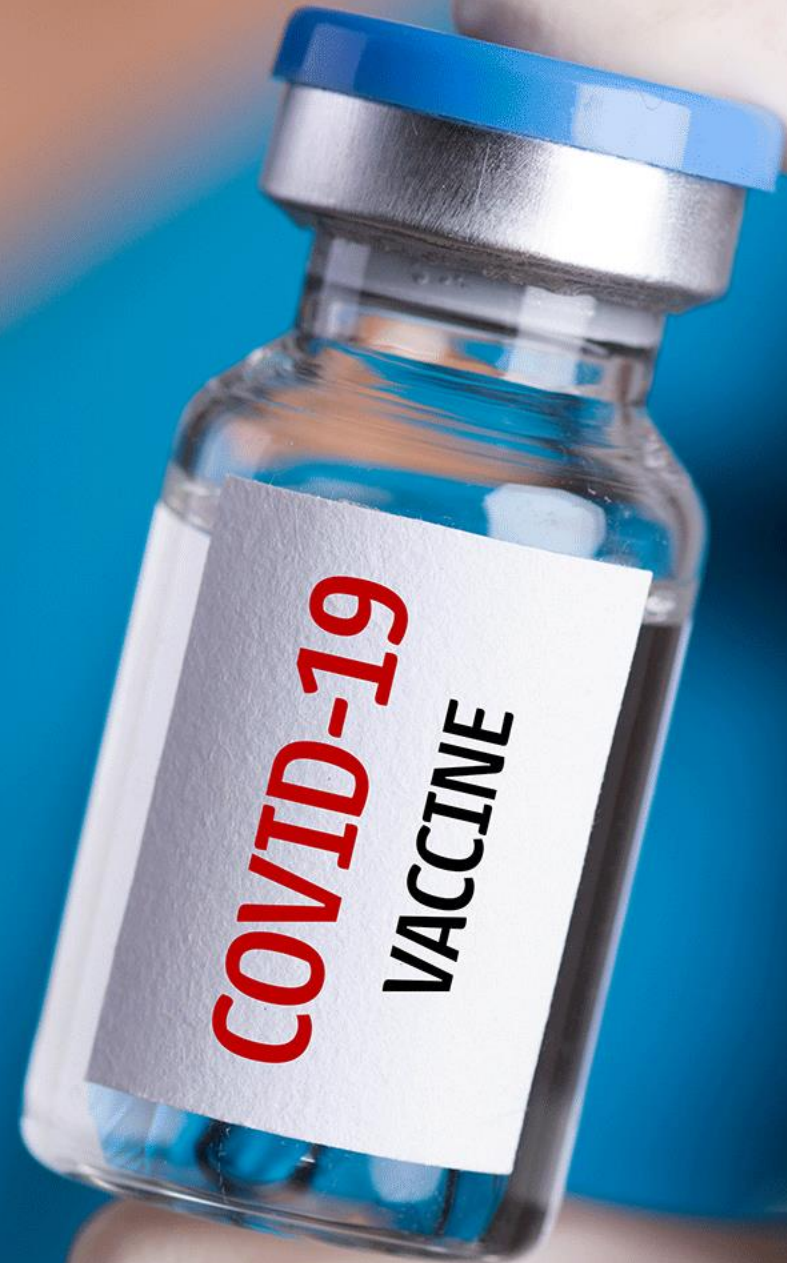
Cooperation around Covid-19 vaccine

Reference in
consultation with
business

Reference to
vaccines in G20

Trade Minister
Statement

Bollyky and Bown in
Foreign Affairs



Co-ordinate
around Covid-19
regulations for
cross-border
movements of
people





WHAT TO DO? MEDIUM-RUN

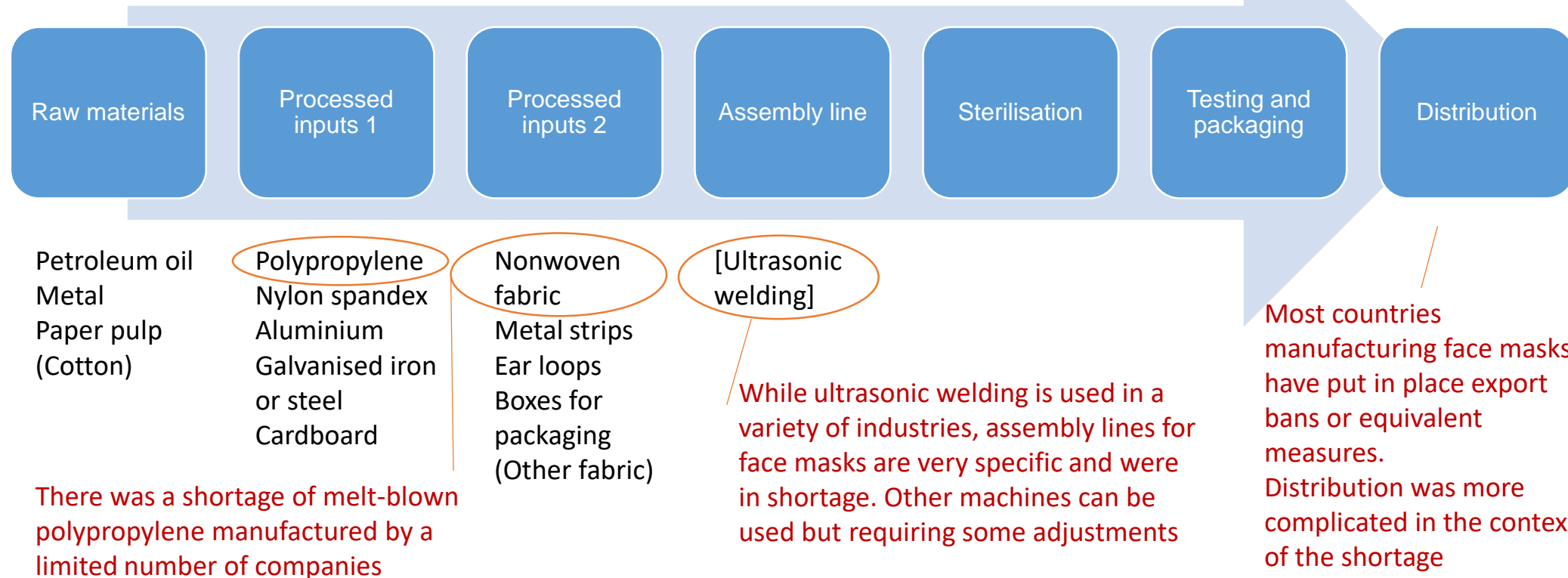
Build resilience of supply chains for essential goods



- Be aware of complexities
- Build on knowledge of and collaborate with the private sector

» The value chain level: Complexity

The face mask value chains and its main bottlenecks during COVID-19



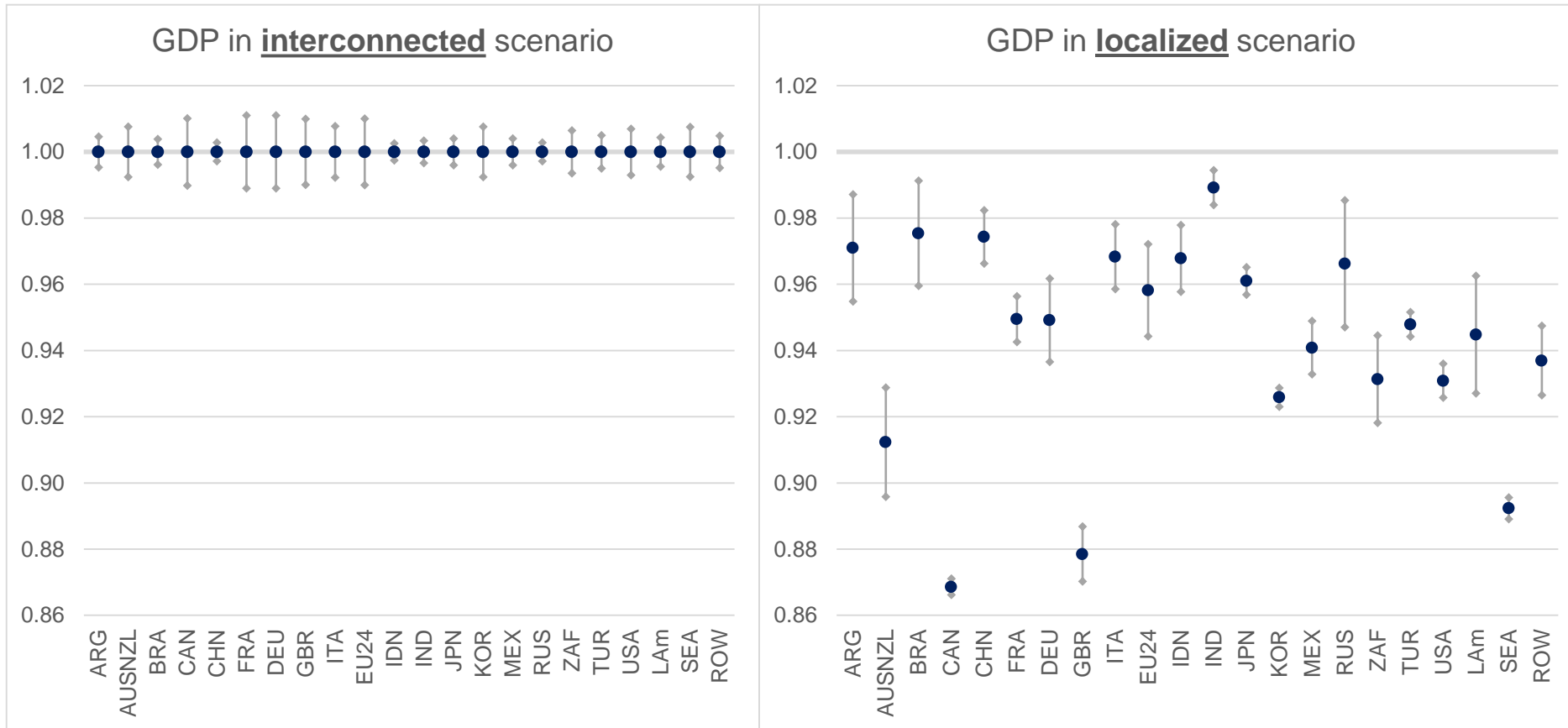
» The value chain level: Interdependence



Note: For illustrative purposes only. The products marked with an * belong to broader categories of goods than those captured in the shares meaning that these include other products which might not be essential in the fight against COVID-19.

Source: OECD calculations using World Customs Organisation list of COVID-19 goods and BACI data. Photo from BBC news.

Localisation: less efficient, less stable real GDP



Source: Shocks, risks and global value chains: insights from the OECD METRO model by OECD, (OECD, 2020)

» Possible ingredients

Learn from
“agriculture”

Define “your” essential goods

Unilateral	International
<ul style="list-style-type: none"> • Streamlined (digital) border processes • Stress tests and risk assessment of value chains (with private sector): <ul style="list-style-type: none"> • Diversification of suppliers? • Strategic stocks? • Agreements to repurpose production facilities in terms of crisis 	<ul style="list-style-type: none"> • Commitment to avoid trade restrictions (e.g.: Joint ministerial statement by Australia, Brunei Darussalam, Canada, Chile, the Republic of the Union of Myanmar, New Zealand and Singapore) • Permanent market information systems (e.g. AMIS) • Co-ordination in certification



**WHAT TO DO?
LONG-RUN:**

THE ELEPHANTS IN THE ROOM

EU-US-China relationship



Government support to the private sector



Finance, debt, taxation



Climate change





WAY FORWARD

» Way forward for policy makers

- Need to work on short-term, medium-term and long-term challenges at the same time;
- **Short-term:** focus on cross-border movements of people and on vaccine production and distribution
- **Medium-term:** (build trust by) enhancing resilience in value chains of «essential» goods:
 - Streamline border procedures; stress tests of value chains;
 - Commitment to avoid trade restrictions, permanent market information systems, co-ordination in certification
 - “Learn from agriculture”
- **Long-term:** re-stabilize global policy landscape and strengthen multilateralism

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