

COVID-19 and WTO related work

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the Impact of COVID-19 on Global Trade,
Supply Chains and Employment



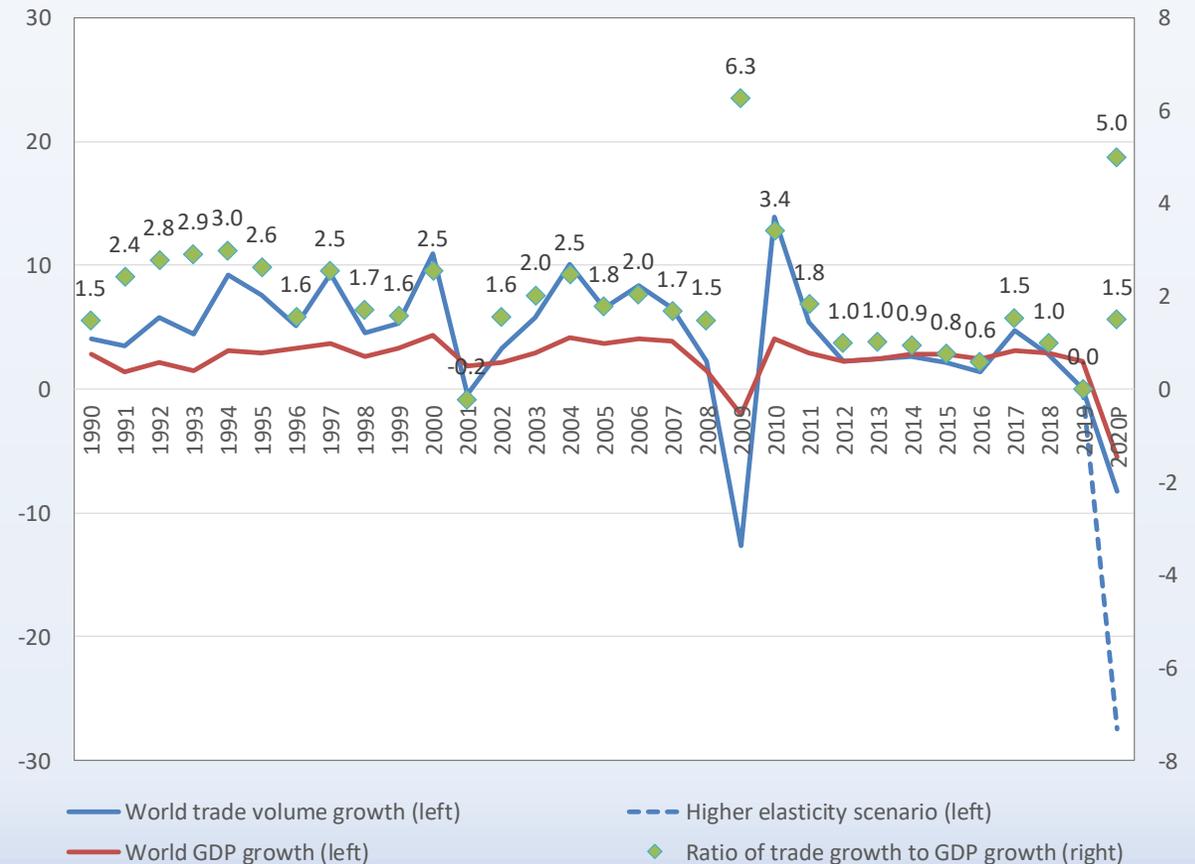
WTO EXPECTS SIGNIFICANT DECLINE IN GLOBAL TRADE FOR 2020 AND POTENTIAL FOR SLOW RECOVERY IN 2021



- This economic shock is unlike any seen in recent history.
- Most International Organizations, governments, and private sector forecasters see GDP declines that exceed the Great Financial Crisis of 2008-2009.
- This shock is driven largely by health policies being implemented to protect human health, and these policies have created large shocks to both supply and demand, and in the goods and services markets, simultaneously.
- WTO preliminary estimates for 2020 project global GDP even with effective fiscal policy measures to decline substantially if the social distancing measures are limited in time (3 months) and global trade to decline as much if not more than during the great financial crisis. Without effective fiscal and monetary policy measures GDP growth declines could be even bigger. Obvious implications for employment.
- In the financial crisis of 2008, the drop in trade was six times larger than the drop in GDP. In this crisis the proportion of trade-to-GDP drop could be smaller, because the negative shocks hit in particular relative non-tradable sectors (tourism, recreation and retail). If the crisis also leads to massive postponing of durables consumption because of uncertainty, the trade-to-GDP drop will be closer to the financial crisis. Travel restrictions also make this crisis worse for trade.
- Impacts vary widely across countries, but because the health measures restrict peoples' movements both within their local economy and across borders the largest impacts are hitting the services sectors. Thus economies with large service sectors are likely to see larger GDP declines. Manufacturing could also see a larger decline if consumers postpone the purchase of durables on a large scale.

Recent relationship between trade and economic growth, 1990-2020

(% change and ratio)



Sources: WTO Secretariat for merchandise trade volume, consensus estimates for real GDP at market exchange rates.



Potential Labor Impacts?

Table 1 Economic shocks under the three scenarios

	V-shaped (optimistic)	U-shaped (mildly optimistic)	L-shaped (pessimistic)
Labour supply			
Morbidity and mortality	1% and 2%	2% and 2%	4% and 2%
Working from home	3 months	6 months	1 year
School closures	3 months	3 months	3 months
Sectoral demand and supply			
Tourism and recreation	3 months -80%: -20%	6 months -80%: -40%	Year 2020: 3 months -80% and 6 months -40%: -40%
Retail	3 months -20%: -5%	6 months -20%: -10%	Year 2020: 9 months -20%: -15%
Manufacturing	Full recovery in 2020: 0%	6 months -80% with half of the loss recovered after: -20%	3 months -80% and 6 months -40%: -40%
Trade costs			
Higher costs air cargo	6 months 70% increase price air cargo	12 months 70% increase price air cargo	18 months 70% increase price air cargo
Goods in transit	6 months 3 day extra: 1.2%	12 months 3 day extra: 2.4%	18 months 3 day extra: 2.4% in 2020
Services transport costs	6 months 22.5% extra multiplied by share not digitally delivered	Idem for 12 months	Idem for 18 years
Transport costs specialized equipment	6 months 22.5% extra for specialized equipment, proxied by share transported by air	Idem for 12 months	Idem for 18 months

Table 1 Per cent reduction in labour supply and the contribution of the different factors in the V-shaped recovery scenario

Regions	Morbidity	Mortality	School closure	Work home	Total
ASEAN	-0.12	-0.0068	-3.30	-1.25	-4.68
Australia New Zealand	-0.12	-0.0068	-2.61	-1.25	-3.98
Brazil	-0.12	-0.0068	-2.66	-1.25	-4.03
Canada	-0.12	-0.0068	-2.15	-1.25	-3.52
China	-0.12	-0.0068	-2.11	-1.25	-3.49
European Union 28	-0.12	-0.0068	-2.11	-1.25	-3.48
India	-0.12	-0.0068	-1.79	-1.25	-3.17
Japan	-0.12	-0.0068	-1.87	-1.25	-3.24
Latin America	-0.12	-0.0068	-3.41	-1.25	-4.78
Mexico	-0.12	-0.0068	-3.40	-1.25	-4.78
Middle East and North Africa	-0.12	-0.0068	-3.91	-1.25	-5.28
Newly industrialized countries	-0.12	-0.0068	-1.60	-1.25	-2.97
Other Asian countries	-0.12	-0.0068	-4.24	-1.25	-5.61
Rest of World	-0.12	-0.0068	-2.72	-1.25	-4.09
Sub-Saharan Africa	-0.12	-0.0068	-3.36	-1.25	-4.74
United States	-0.12	-0.0068	-2.51	-1.25	-3.88
Global average	-0.12	-0.0068	-2.49	-1.25	-3.86

Source: WTO

Rising trade costs, falling trade....

Table 1 Trade weighted average percentage increase in ad valorem trade costs by channel and sector (Optimistic Scenario: V-shaped recovery)

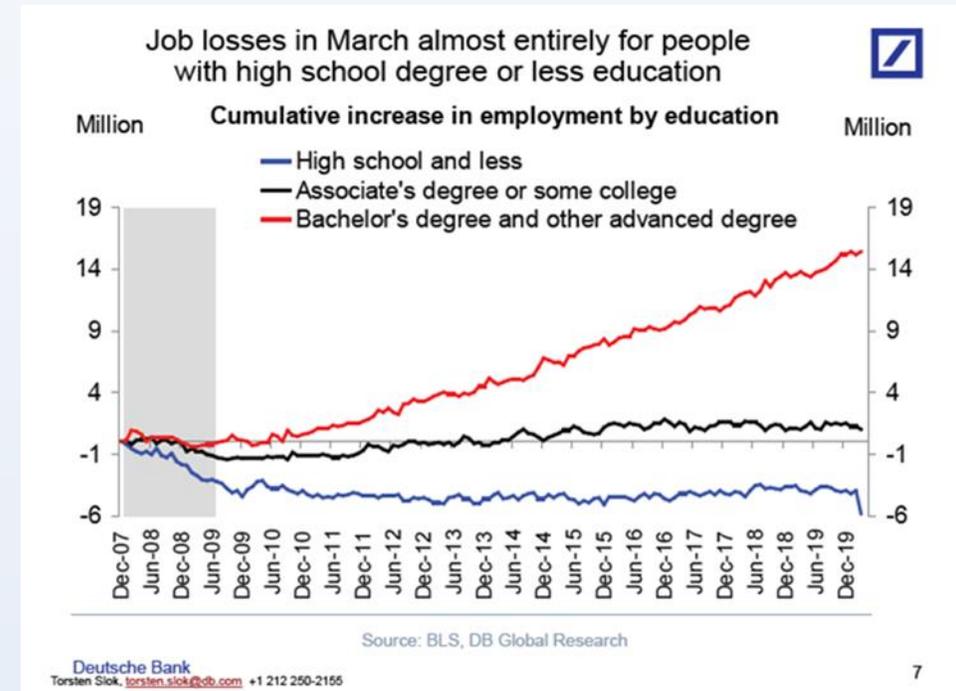
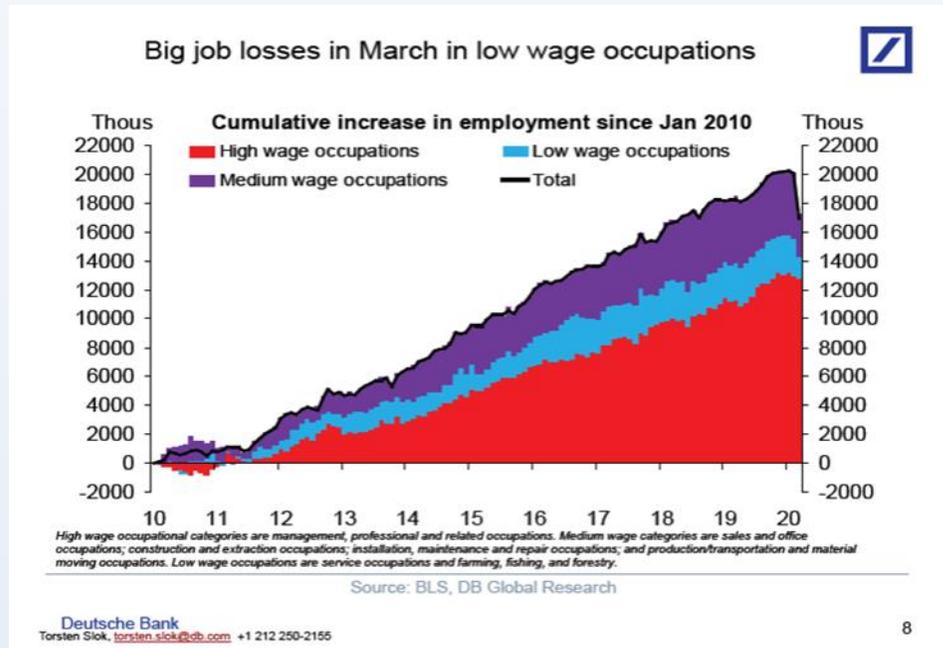
	Services trade costs	Specialized equipment	Border controls	Total
Agriculture	0.0	0.0	1.2	1.2
Accommodation and recreation	8.0	0.0	0.0	8.0
Air transport	8.4	0.0	0.0	8.4
Basic pharmaceuticals	0.0	2.3	1.2	3.5
Business services	10.2	0.0	0.0	10.2
Construction	11.0	0.0	0.0	11.0
Electronic equipment	0.0	2.6	1.2	3.9
Electric equipment	0.0	2.6	1.2	3.9
Health care	9.9	0.0	0.0	9.9
Metals	0.0	1.0	1.2	2.2
Motor vehicles	0.0	0.7	1.2	1.9
Machinery and equipment	0.0	1.9	1.2	3.1
Fossil fuels	0.0	0.0	1.2	1.2
Other manufacturing	0.0	0.0	1.2	1.2
Transport equipment nec	0.0	2.8	1.2	4.0
Other transport	8.4	0.0	0.0	8.4
Other services	9.9	0.0	0.0	9.9
Petroleum and coal products	0.0	0.0	1.2	1.2
Processed food	0.0	0.0	1.2	1.2
Retail	9.2	0.0	0.0	9.2
Utilities	9.6	0.0	0.0	9.6
Average	1.7	0.7	1.0	3.4

Table 6 Change in real exports (yearly per cent change for 2020 and 2021 relative to benchmark without pandemic)

Real exports	V-shaped		U-shaped		L-shaped	
	2020	2021	2020	2021	2020	2021
ASEAN	-9.3	6.7	-18.2	14.8	-22.1	6.1
Australia New Zealand	-6.4	4.7	-12.8	10.1	-15.6	4.7
Brazil	-8.0	6.2	-16.8	14.3	-20.2	6.1
Canada	-4.7	3.7	-13.2	11.6	-18.4	6.1
China	-8.3	6.0	-16.0	12.5	-19.3	4.9
European Union 28	-7.3	5.4	-16.1	13.7	-20.4	5.8
India	-12.0	9.5	-23.5	22.5	-28.0	8.5
Japan	-9.8	7.4	-18.5	15.4	-21.8	5.7
Latin America	-7.5	5.9	-15.3	13.2	-18.8	5.8
Mexico	-4.8	4.8	-12.2	12.7	-16.3	5.3
Middle East and North Africa	-5.2	3.1	-10.5	7.2	-13.4	4.1
Newly industrialized countries	-11.0	8.3	-21.0	18.4	-25.0	7.1
Other Asian countries	-7.6	6.3	-17.5	16.7	-22.5	7.0
Rest of World	-5.3	2.9	-8.6	4.0	-9.4	1.9
Sub-Saharan Africa	-5.2	3.1	-10.6	7.0	-13.4	3.6
United States	-14.3	10.0	-27.8	23.8	-33.9	10.9
Global	-8.1	5.9	-16.5	13.6	-20.4	5.8
Elasticity of global trade to global GDP	1.68	1.40	1.80	1.67	1.84	2.10

Note: The numbers in this table deviate from the numbers in the press release (WTO, 2020). This table presents the per cent deviation of trade from the baseline based on the CGE-analysis, whereas the press release contains the projected growth rate in 2020 relative to 2019 employing the ADL model based on historical data described in Part 2.

Preliminary numbers from the US...low wage and less educated workers getting hit harder...



Source: Deutsche Bank

Countries are taking a number of COVID-19 related trade actions, and Transparency is critical



- Transparency in the context of the COVID-19 pandemic, transparent, efficient information-sharing is crucial.
- The WTO system ensures transparency through various mechanisms and is helping to pool information within a multilateral platform.
- The WTO Trade Policy Review Body has a mandate from the G20 and WTO members to regularly monitor and report on the implementation of trade and trade-related measures.
- The WTO Agreements promote international transparency in trade measures via formal, publicly available notifications of all laws and regulations affecting trade.
- Transparency notifications submitted by WTO members are included in WTO searchable databases covering a vast array of trade-policy measures.
- WTO members are required to establish or maintain Enquiry Points in many areas of trade, to answer enquiries from governments, traders and other interested parties – information which can be crucial in emergency situations.
- Transparency is one of the most important principles of the WTO Agreements.
- Transparency obligations in WTO agreements are discussed in relevant WTO committees, which often include question-and-answer sessions.

COVID-19 Trade Related Measures

**Annex
COVID-19
Trade and trade-related measures
(as of 7 April 2020)**

CONFIRMED INFORMATION^a

Member/ Observer	Measure	Source/Date	Status
Albania	Temporary export prohibition on certain drugs and medical devices (HS 3002; 3003; 3004; 3005; 3006; 4818; 6307; 9018; 9019; 9020; 9021; 9022), due to the COVID-19 pandemic	WTO document G/MA/QR/N/ALB/1/Add.1, 27 March 2020	Effective 17 March 2020
Algeria	Temporary export ban on certain products (1,219 tariff lines at 10-digit level, in HS Chapters 2; 4; 7; 8; 9; 10; 11; 15; 16; 17; 19; 20; 21; 22; 28; 30; 33; 34; 38; 39; 40; 48; 61; 62; 63; 65; 84; 90; 94), due to the COVID-19 pandemic	Direction Générale des Douanes - Instruction No. 111/PM (22 March 2020). Viewed at: http://www.douane.gov.dz/spip.php?article429&lang=fr	Effective 22 March 2020
Argentina	Certain products eliminated from the list requiring non-automatic import licensing requirements (in NCM Chapters 02; 04; 08; 09; 16; 17; 18; 19; 21; 21; 22; 23; 27; 28; 29; 32; 33; 34; 38; 39; 40; 44; 48; 49; 56; 57; 58; 59; 61; 62; 63; 65; 69; 70; 72; 73; 74; 76; 79; 82; 83; 84; 85; 87; 90; 92; 94; 95; 96), due to the COVID-19 pandemic	Disposición No. 5/2020 Subsecretaría de Política y Gestión Comercial - Ministerio de Desarrollo Productivo (18 March 2020)	Effective 18 March 2020
Argentina	Temporary implementation of export licensing requirement on medical ventilators (artificial respiration apparatus) (NCM 9019.20.10), due to the COVID-19 pandemic	Decreto 301/2020 (19 March 2020) and Resolución No. 140/2020 Ministerio de Desarrollo Productivo (6 April 2020)	Effective 20 March 2020
Argentina	On 21 March 2020, temporary suspension of the anti-dumping duties on imports of hypodermic syringes of plastic, disposable, sterile, with or without needles (NCM 9018.31.11; 9018.31.19) from China (investigation initiated on 15 September 2009 and definitive duty imposed on 15 March 2011)	Resolución No. 114/2020 Ministerio de Desarrollo Productivo (20 March 2020)	
Argentina	On 24 March 2020, temporary suspension of the anti-dumping duties on imports of parenteral solutions (NCM 3004.90.99) from Brazil and Mexico (investigation initiated on 29 June 2018 and definitive duty imposed on 2 December 2019)	Resolución No. 118/2020 Ministerio de Desarrollo Productivo (23 March 2020)	

Source: https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm

How the WTO can help with COVID-19 recovery



- WTO rules and principles can help governments coordinate action to lower costs of fighting COVID-19, and mitigate long-term economic damage.
- WTO rules will not prevent countries from acting in their short-term national interest.
- G20 members need to find the right mix of international coordination and country-level flexibility.

Trade and pandemic-fighting:

- Not all countries can produce medical supplies they need; they must import. Transparency about COVID-related trade policies would be useful.
- Space in WTO rules to waive tariffs, facilitate imports of medical products, invoke TRIPS flexibilities, provide certain subsidies to industry.
- The WTO could be a venue for information sharing about efforts to ramp up medical and health related goods production.
- Continued cross-border flows of other critical goods and services - agricultural and energy products, and logistics services – key for food security and preventing additional disruptions to public health and safety.

Trade and the economic recovery:

- COVID-19 is a supply chain shock and an enormous demand shock.
- Governments are introducing fiscal and monetary measures to stabilize demand, and prevent mass business failure and job loss.
- MSMEs and other firms in developing and LDCs could be adversely affected by a trade finance shock.
- Global and regional development banks need to keep trade finance needs in mind.
- Maintaining open and trade investment flows will help supply chains respond to increased demand. Allowing countries to tap into each other's growth would improve prospects for a V- or U-shaped global recovery.