

MANAGING SUPPLY CHAIN DISRUPTIONS – A GLOBAL PERSPECTIVE

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Outline note

- Supply Chain Shocks
- Policy Shocks
- Resulting context for international trade:
 - Increased uncertainty
 - Risk of fragmentation
 - Reassessment of the level playing field
- Supporting Open Markets and a Rules-Based International Trading System at the OECD



Global events, supply chains under pressure

2008
Global
Financial
Crisis



2018
Trump's
tariffs



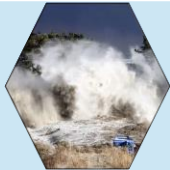
2020
Brexit



2022
War in
Ukraine



2011
Tsunami
in Japan



2020
COVID-
19



2021
Suez
Canal;
Shipping
containers
shortage

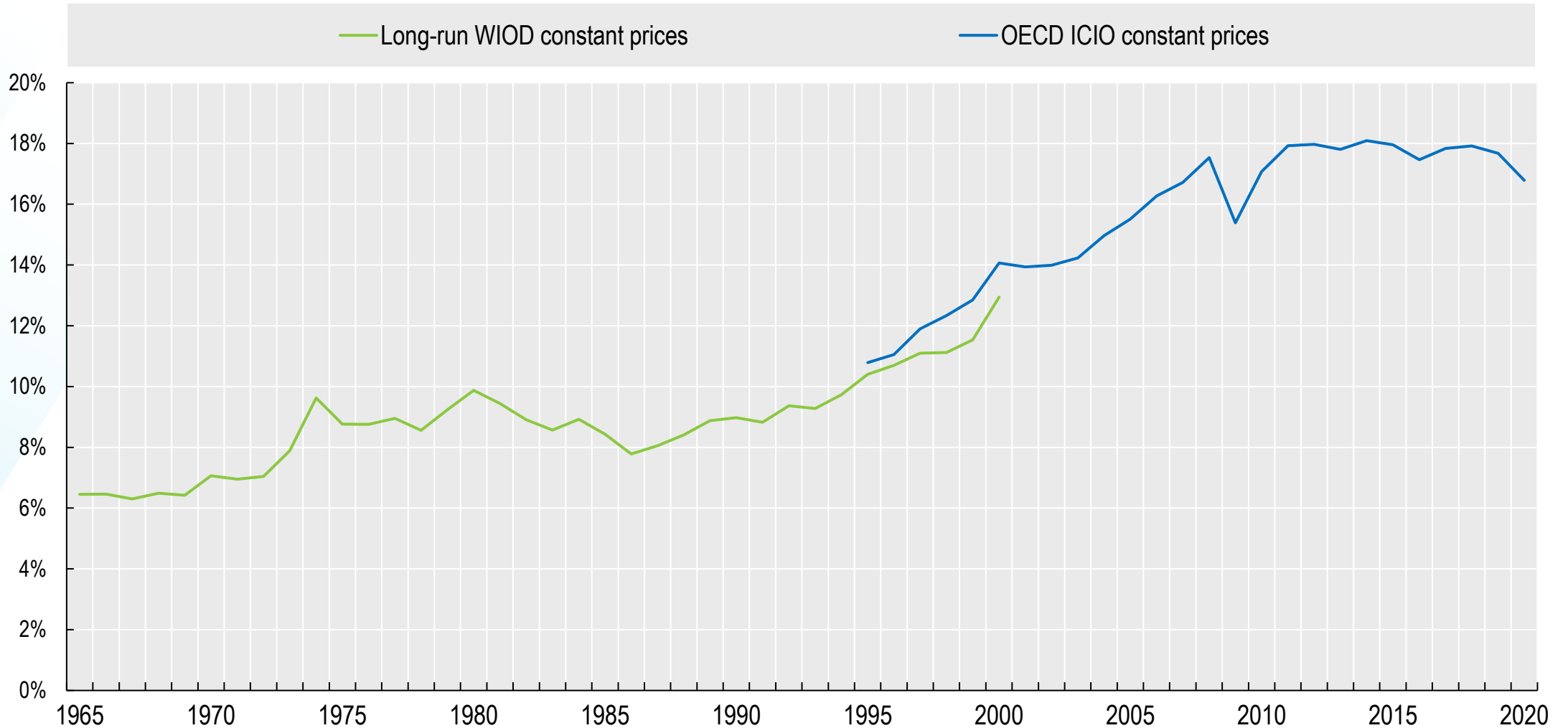


2023





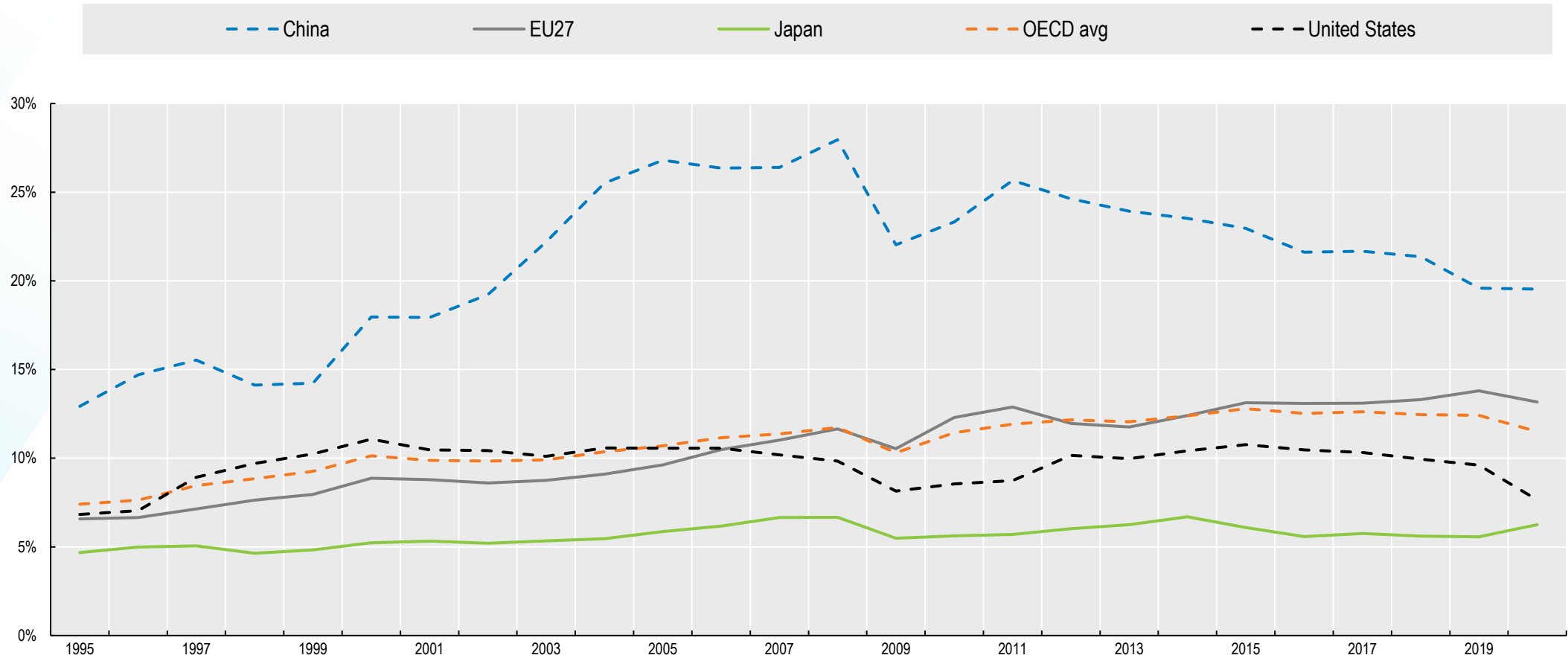
Import intensity of production, world, 1965-2020



Source: Based on OECD ICIO tables and long-run WIOD tables in previous year's prices.



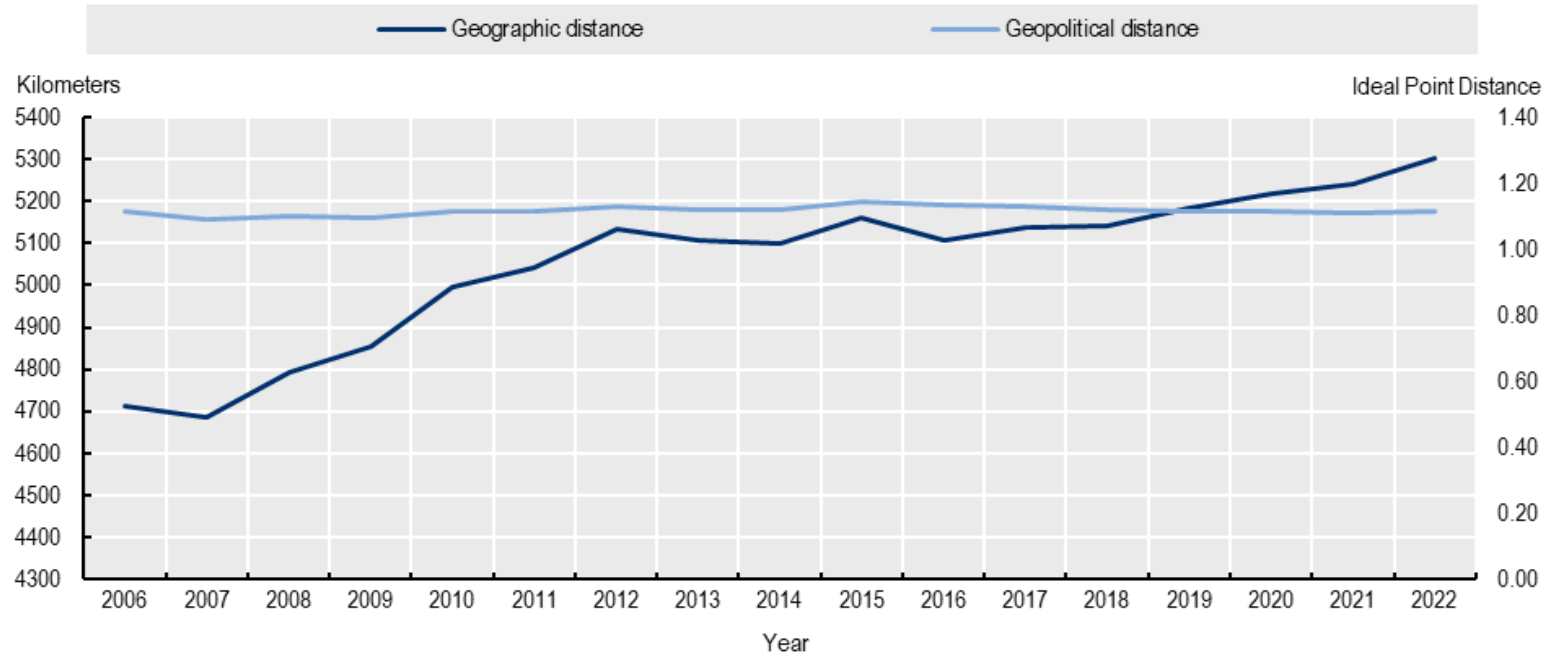
Import intensity of production: main economies, 1995-2020



Source: Based on OECD ICIO tables in previous year's prices. EU27 as a single economy.



Physical distance of imports has increased but the geopolitical distance has been stable

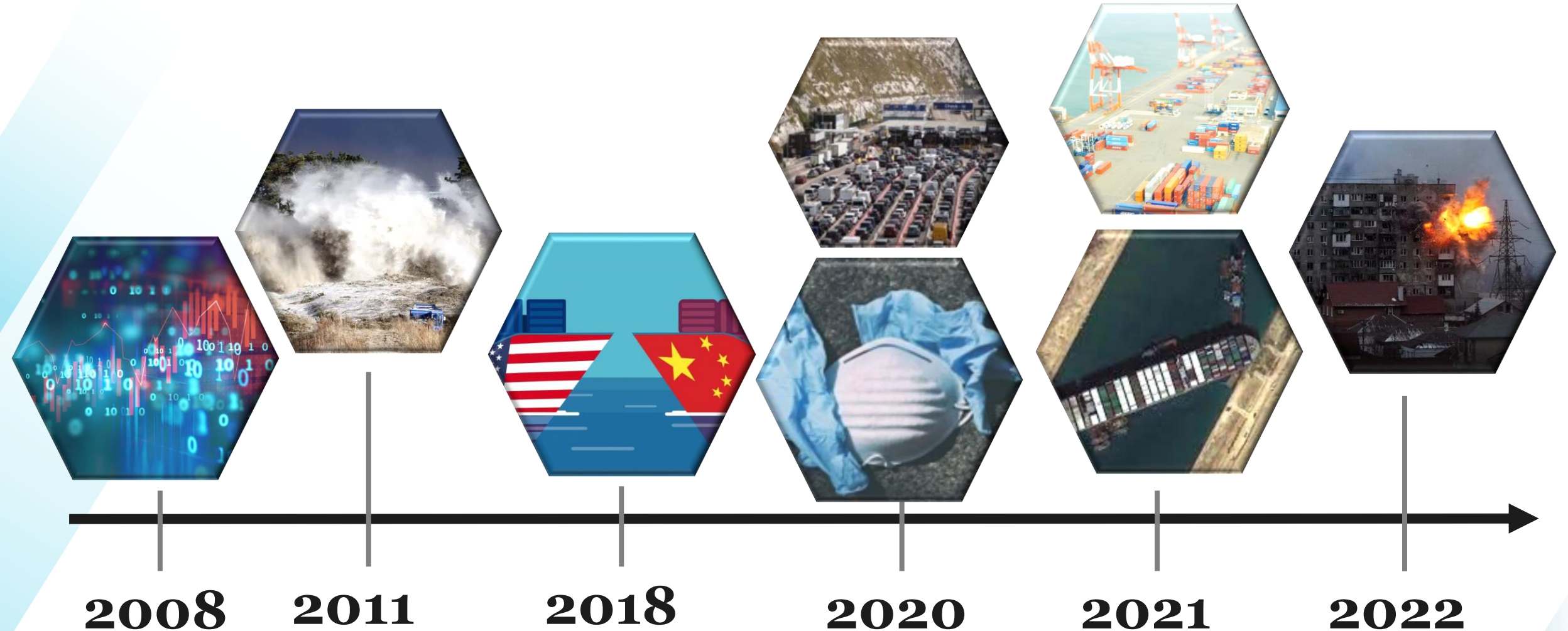


Geographic and geopolitical distance, 2006-2022

Source: OECD/Arriola Christine's calculation based on ITC Trade Map data and UN COMTRADE, extracted April 2023, CEPII gravity database, and (Bailey, Strezhnev and Voeten, 2016). The data is sourced from Harvard's data-verse. <https://dataverse.harvard.edu/dataverse/Voeten>.



Supply chain disruptions with no effect on global trade flows?

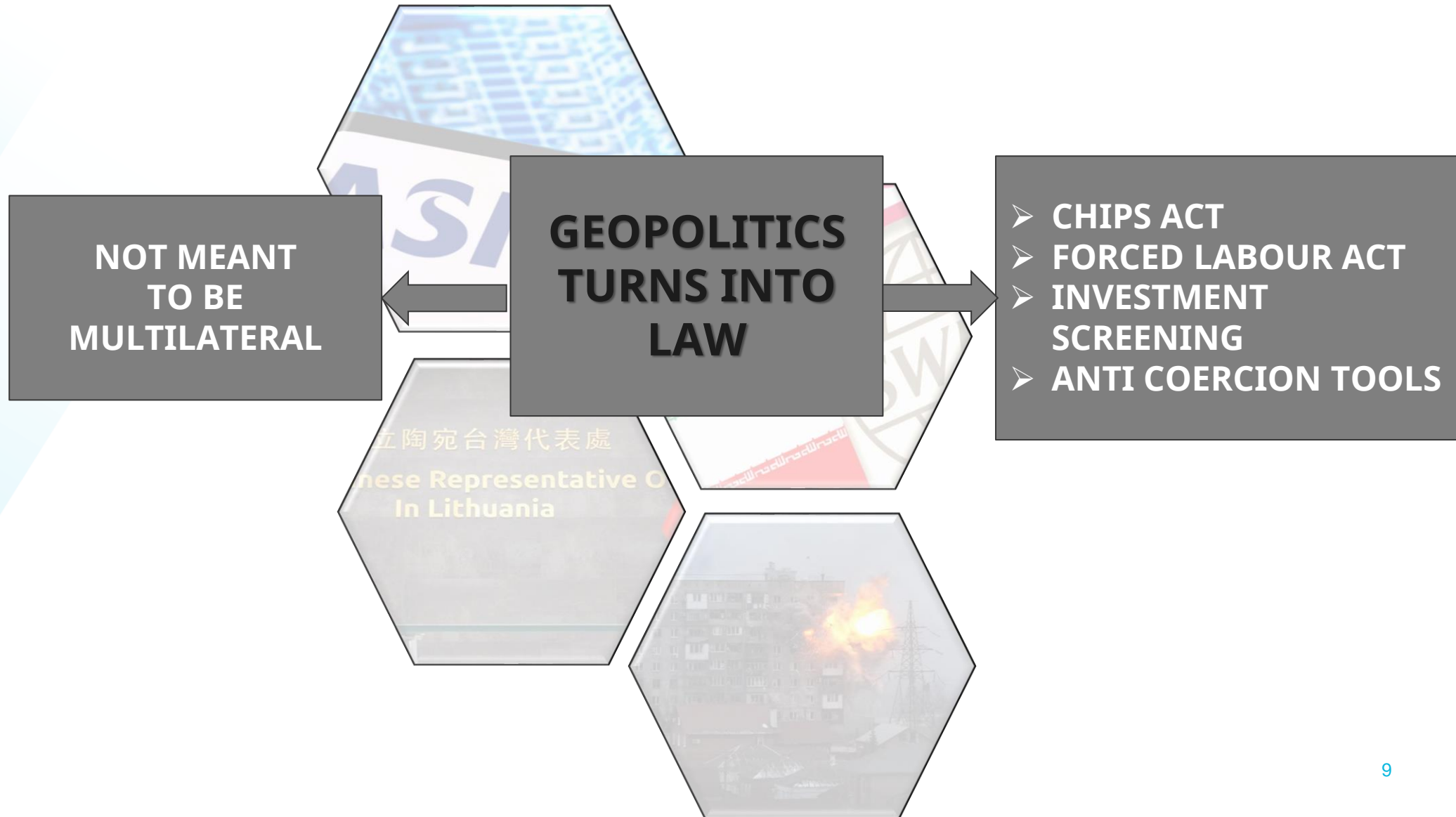




→ BUT...
Policies have changed significantly



Geopolitics turn into law



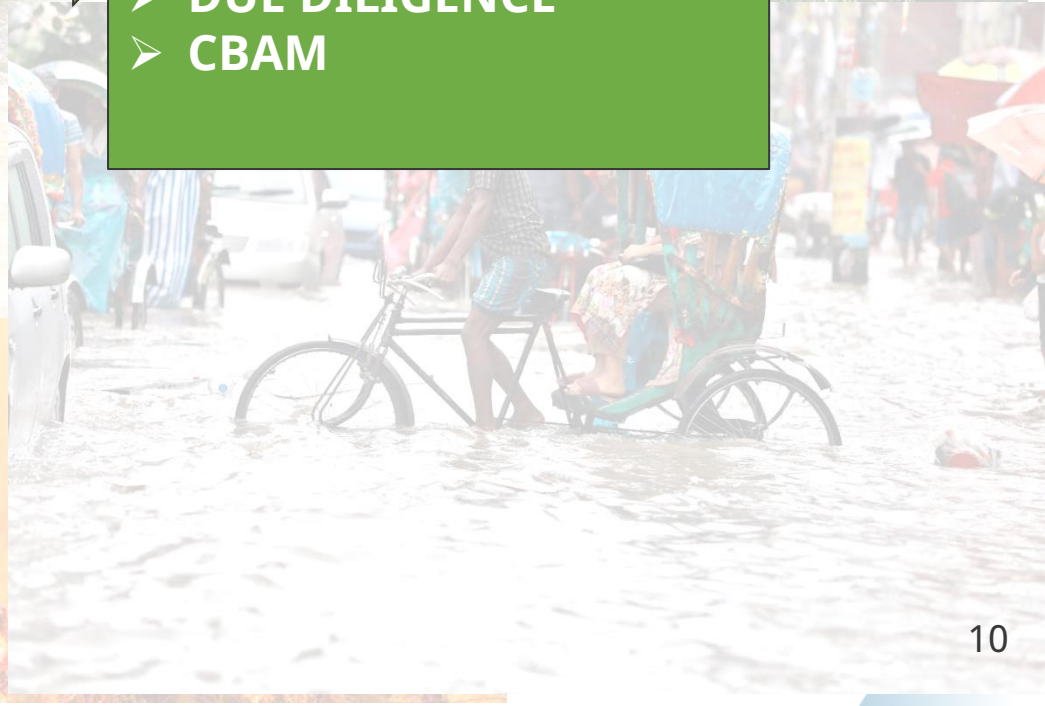
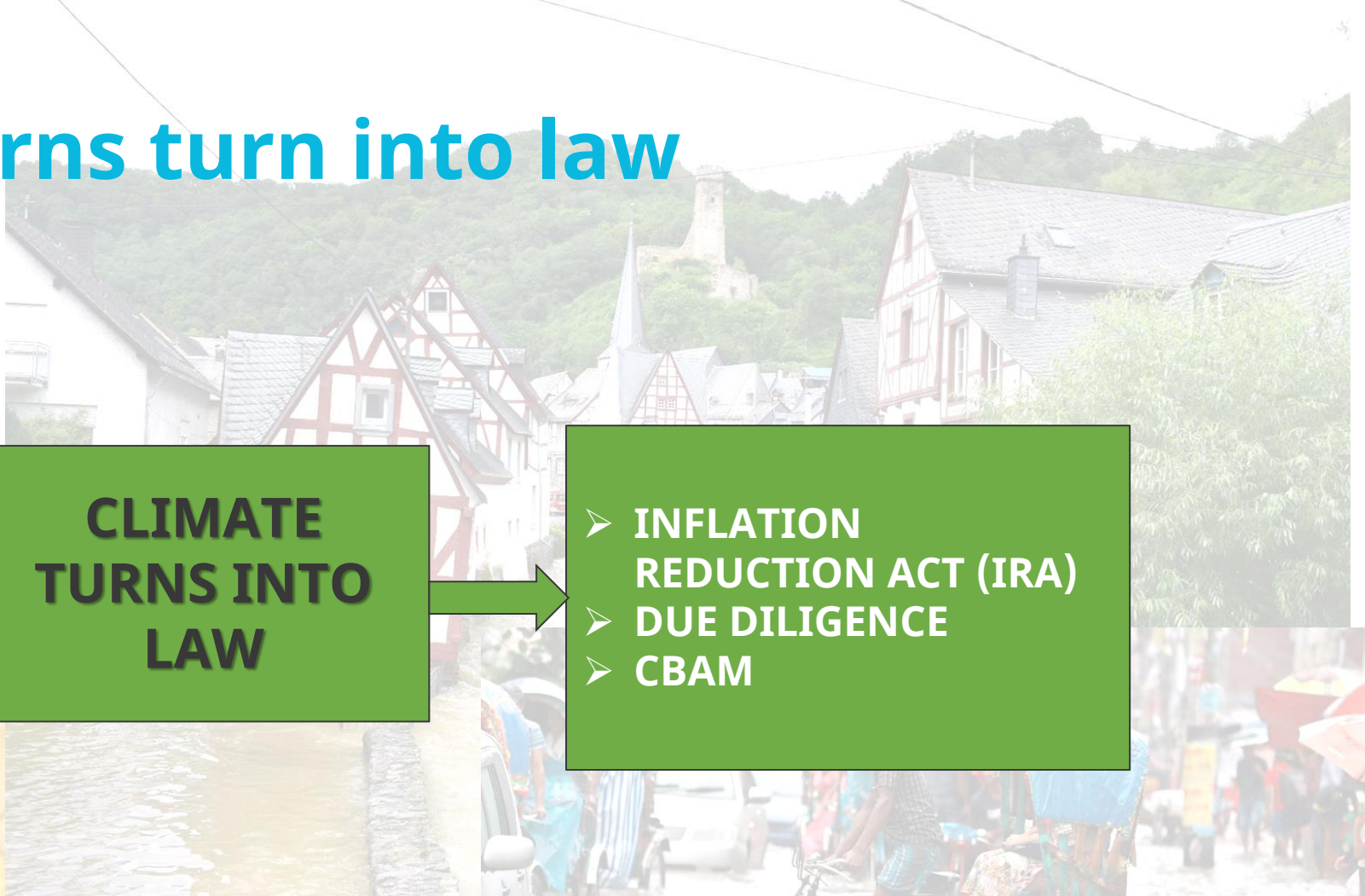


Climate concerns turn into law

**TECHNICALLY
CHALLENGING FOR
THE WTO**

**CLIMATE
TURNS INTO
LAW**

- INFLATION
REDUCTION ACT (IRA)
- DUE DILIGENCE
- CBAM





Government spending



- + Security and defense spending
- + Supporting Ukraine and its reconstruction
- + De-risking and supply chain resilience
- + Strategic Green Reindustrialization (subsidies war?)
- + Investing in Global South, financing green investment, also to prevent expansion of rival influence
- + Addressing ageing in OECD M-S & migration from Global South
- + Addressing trend decline of average global productivity growth?



WTO OM





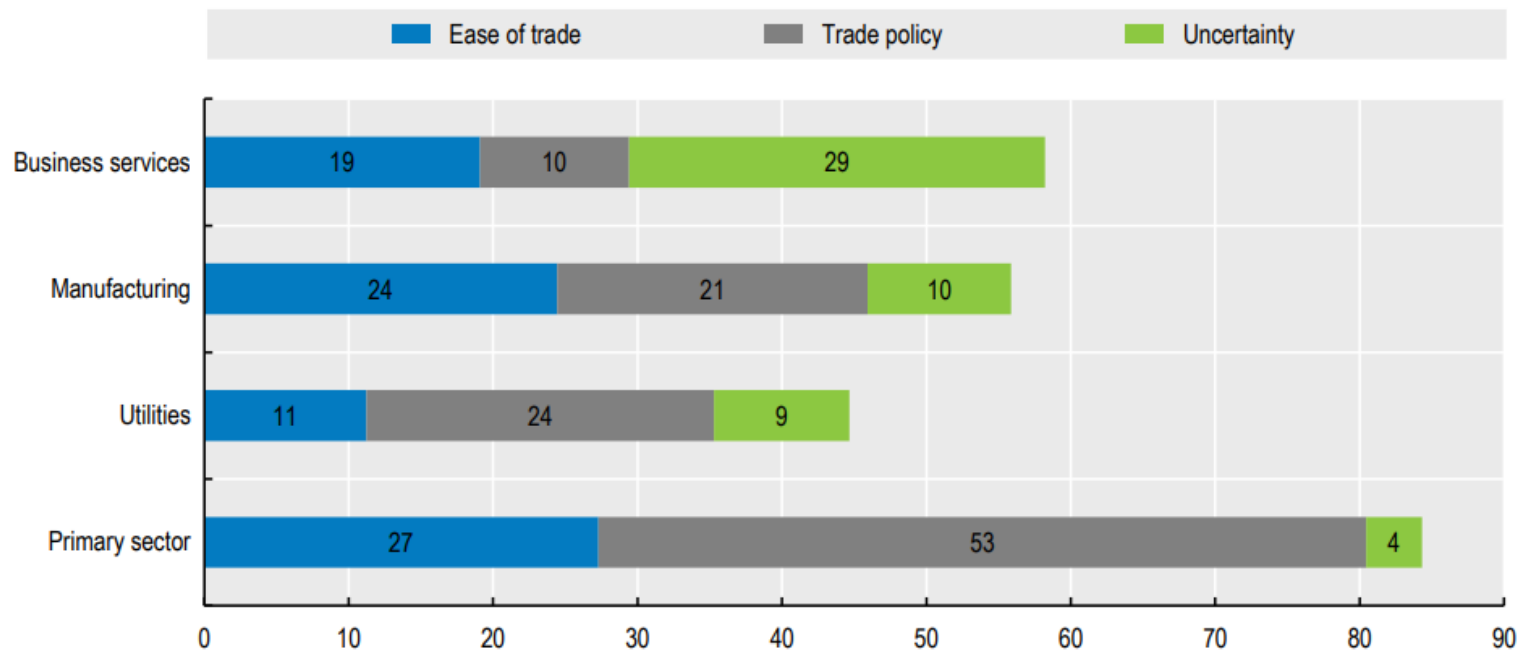
→ Resulting context for international trade



=> 1. Increased uncertainty

Determinants of bilateral trade costs by aggregate sector

Percentage of bilateral variation explained



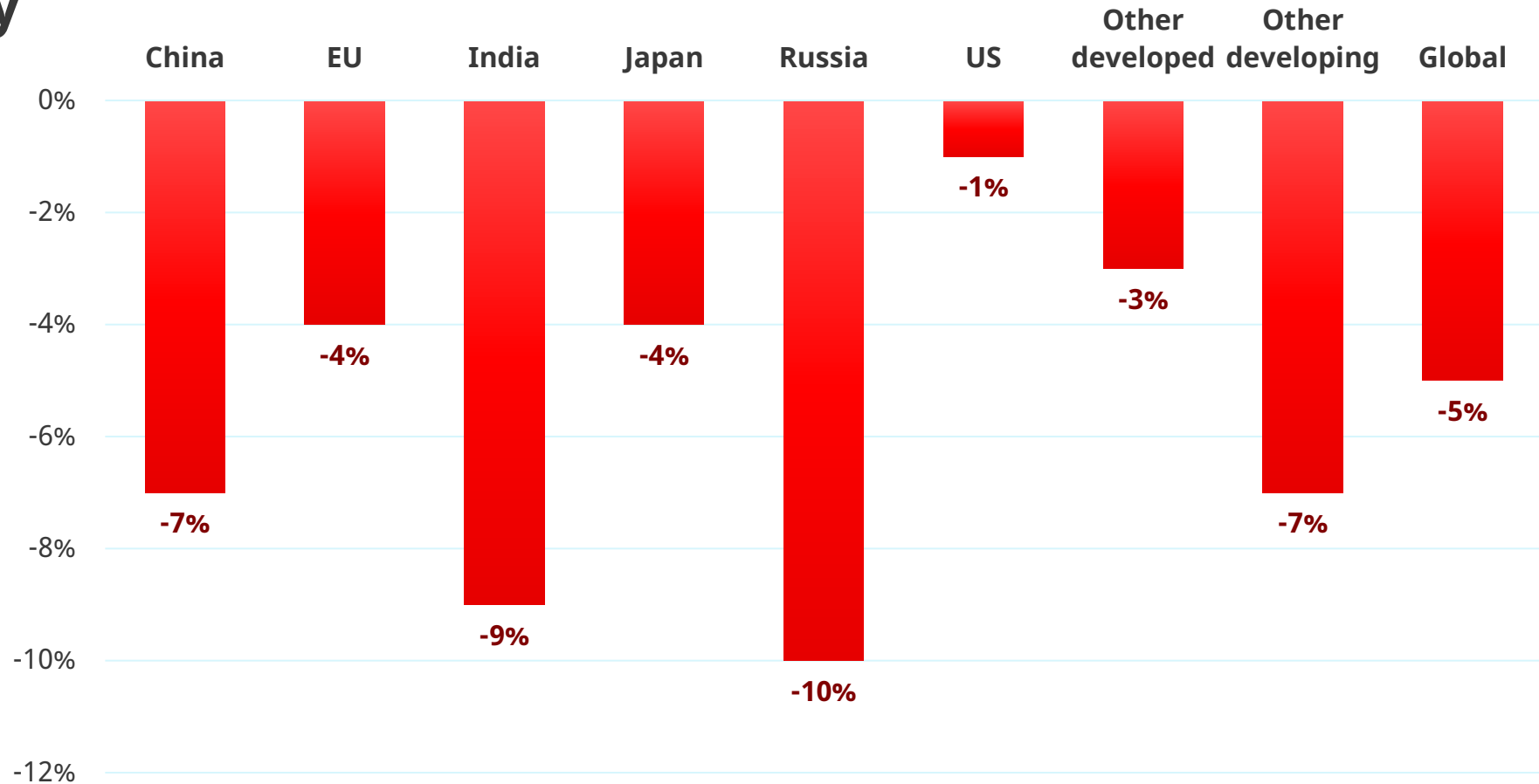
Note: This graph relies on regressions (exploiting data for 2011-2019) that relate the logarithm of bilateral trade costs for intermediate inputs to variables corresponding to the four categories of determinants described in Section 3.1. All variables were demeaned by partialing out importer-sector-year fixed effects as well as exporter-sector-year fixed effects and country-pair-by-industry fixed effects. The graph shows the contribution of the different groups of determinants to the total variation in trade costs based on the R-squared decomposition proposed by Huettner and Sundner (2012^[39]).

Source: Sebastian Benz, Alexander Jaax, Matteo Fiorini and Elisabeth van Lieshout' calculations, [OECD TRADE POLICY PAPER N°271 \(oecd-ilibrary.org\)](https://doi.org/10.1787/5f0c0c0c0c0c0c0c)



=> 2. Risk of fragmentation

Long-run real GDP effects of decoupling scenario in the global economy



Note: Percentage deviation from baseline projections

Source: WTO Secretariat. Two global blocs as defined in Góes and Bekkers (2022)



=> 3. Reassessment of the Level Playing Field

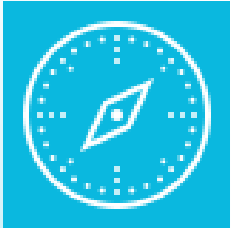




→ Supporting Open Markets and a Rules-Based International Trading System at the OECD



Adjusting to new demands



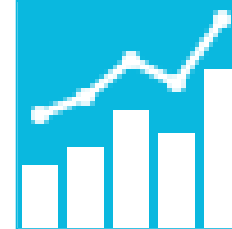
**I. EVEN HIGHER
EMPHASIS ON
TRANSPARENCY**



**II. SUPPORT
MEMBERS'
COMMUNICATION**



**III. PROVIDE A
FORUM FOR
EXCHANGE**



**IV. GENERATE
EVIDENCE ON NEW
CHALLENGES**



**V. REASSESS THE
RELATIONSHIP
BETWEEN "FINANCE"
AND "TRADE"**



I. Transparency

- Agricultural Market Information System (AMIS)
 - An inter-agency platform **to enhance food market transparency** and policy response for food security. It was launched in 2011 by the G20 Ministers of Agriculture following the global food price hikes in 2007/08 and 2010.



→Expansion to other sectors? Fertilizers, oil seeds...



II. Communication (example)

- Russian Aggression against Ukraine: **Global food security impacts (Scenario results)**

Relative change in global wheat price (%)

Restriction of wheat exports by Russia

	0%	10%	25%	50%
0%	0	2%	5%	11%
-25%	4%	6%	10%	16%
-50%	9%	11%	15%	21%
-100%	19%	22%	26%	34%

Based on preliminary scenarios with Aglink-Cosimo



III. Provide a Forum for Exchange

- OECD Member Economists Conference
 - Chief trade and agriculture economists
 - (I) 29-30 June 2022; (II) 13-14 March 2023
 - Focus on **Supply Chain Interdependencies**





IV. Evidence on New Challenges



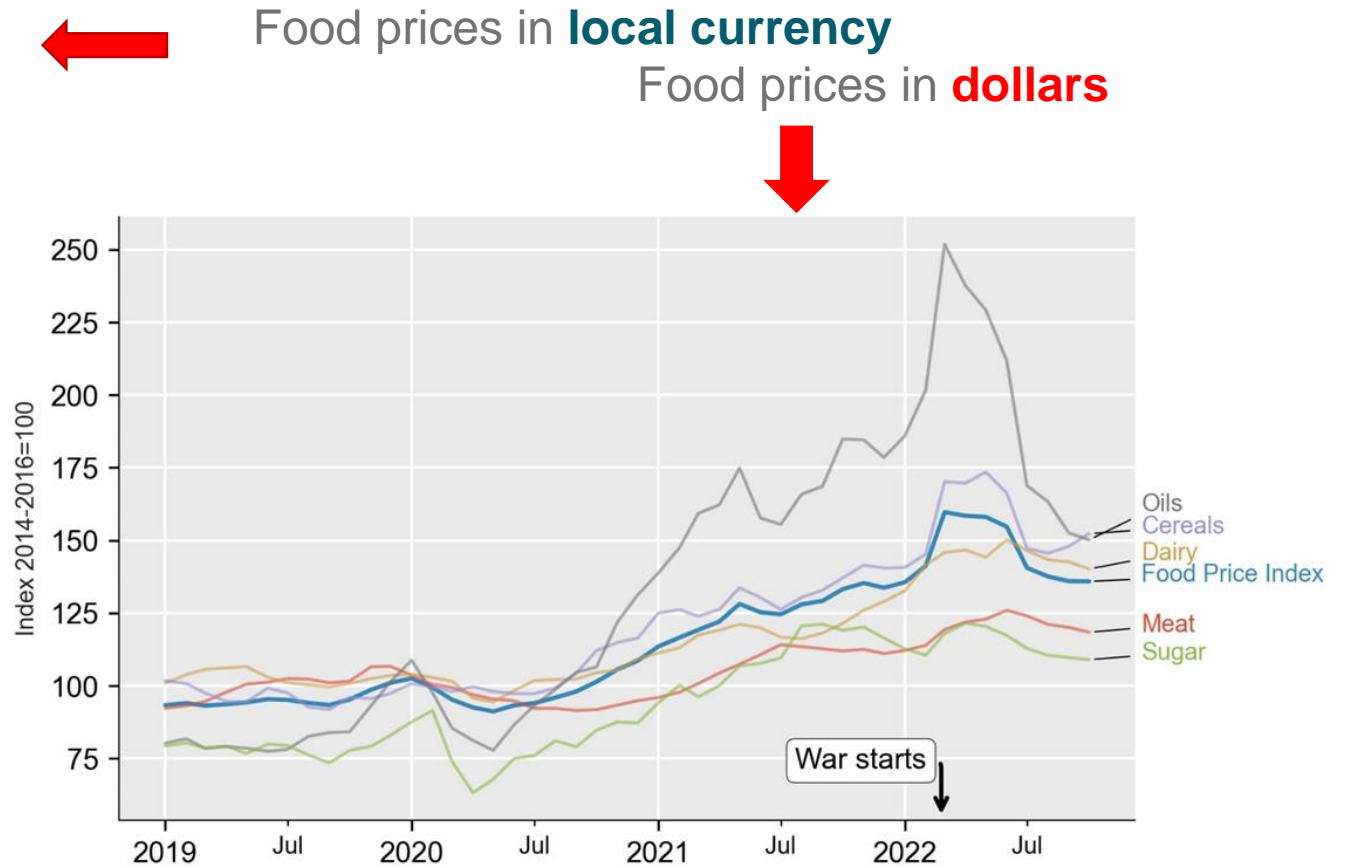
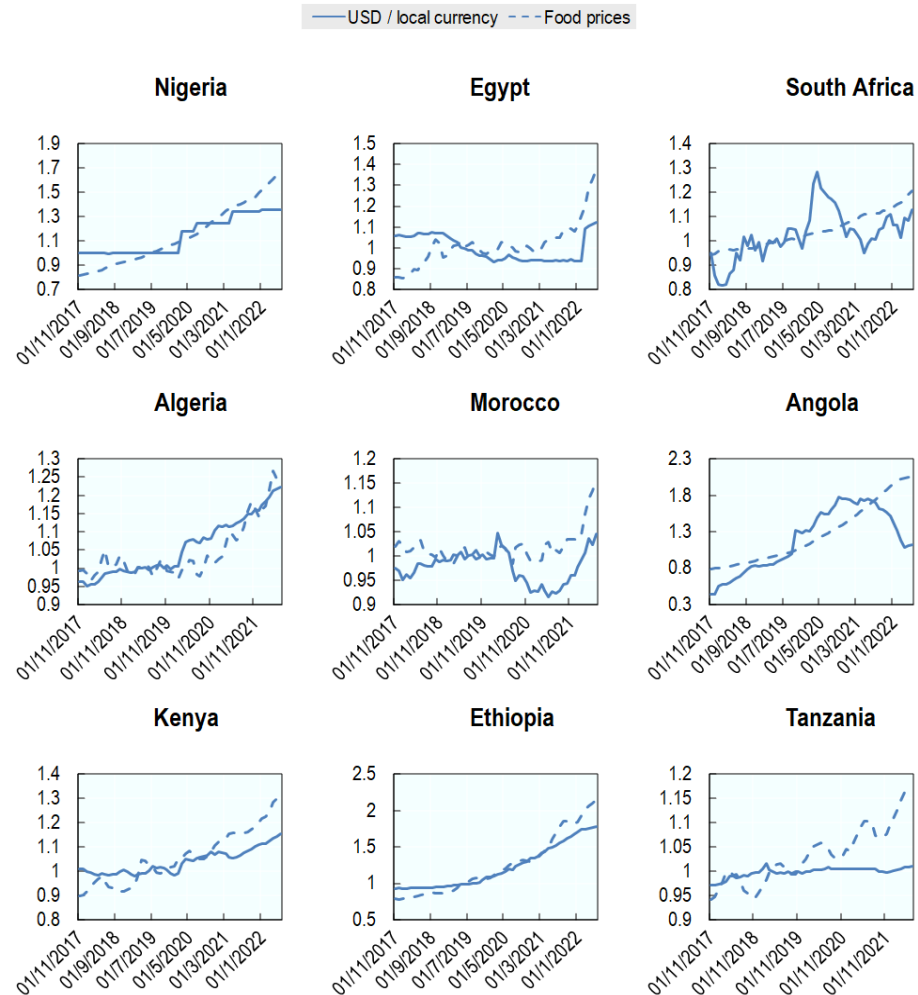


V. Reassess the relationship between “finance” and “trade”: OECD Export Credit Arrangement Leading the Way





V. Reassessing the relationship between “finance” and “trade” and the debate on global food security



Source: FAO, [FAO Food Price Index](#) | [World Food Situation](#) | [Food and Agriculture Organization of the United Nations](#), latest data for September 2022. Calculations OECD.

Note: USD/local currency FX spot price; Nine top African countries by GDP
Source: FAO, FAOSTAT, Thomson Reuters, November 2017 to June 2022



Supporting Open Markets and a Rules-Based International Trading System at the OECD



Link: [The-OECD-Contribution-to-Promoting-Open-Markets-and-a-Rules-Based-International-Trading-System-in-Good-Working-Order.pdf](#)



OECD TAD – Your Trusted Partner For Change

A new [“OECD Trade Strategy”](#)



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