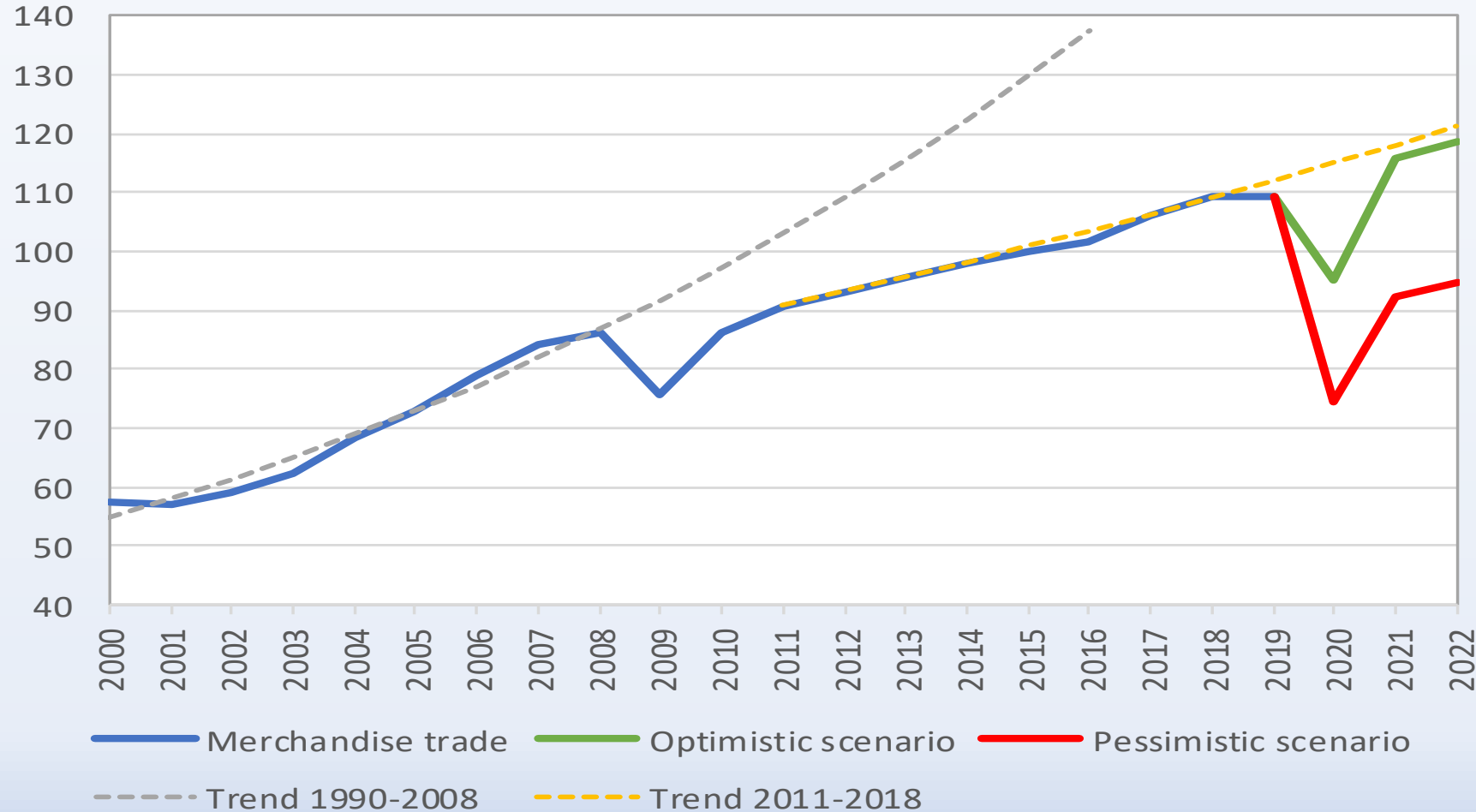


# WTO EXPECTS SIGNIFICANT DECLINE IN GLOBAL TRADE FOR 2020 AND POTENTIAL FOR SLOW RECOVERY IN 2021 – ROBERT KOOPMAN, CHIEF ECONOMIST, WTO. WTC MUMBAI PRESENTATION, APRIL 24, 2020



**Chart 1 - World merchandise trade volume, 2000-2022**

Index, 2015=100



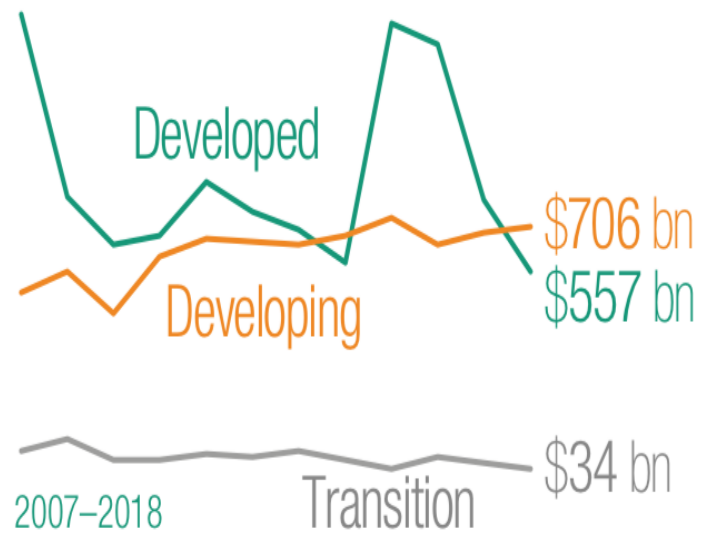
**Table 5 Change in real GDP (yearly per cent change for 2020 and 2021 relative to benchmark without pandemic)**

Real GDP	V-shaped		U-shaped		L-shaped	
	2020	2021	2020	2021	2020	2021
ASEAN	-6.1	4.6	-12.2	9.7	-14.7	3.3
Australia New Zealand	-5.2	4.7	-9.3	8.8	-11.2	3.1
Brazil	-4.8	4.5	-9.4	9.2	-11.6	3.3
Canada	-4.8	4.0	-8.8	7.5	-10.7	2.6
China	-4.0	3.5	-7.9	7.2	-9.9	2.5
European Union 28	-5.2	4.1	-10.1	8.4	-12.1	2.9
India	-5.4	4.6	-11.1	9.9	-13.4	3.2
Japan	-4.4	3.9	-8.1	7.4	-9.5	2.4
Latin America	-5.3	4.8	-9.8	9.1	-11.8	3.2
Mexico	-6.6	5.3	-12.8	10.4	-14.5	3.2
Middle East and North Africa	-4.1	3.4	-8.1	7.2	-10.2	2.9
Newly industrialized countries	-6.2	5.2	-12.6	11.2	-14.8	3.8
Other Asian countries	-5.8	5.1	-11.4	10.3	-13.4	3.2
Rest of World	-4.1	2.8	-6.0	3.7	-6.1	1.1
Sub-Saharan Africa	-4.1	3.4	-7.4	6.2	-9.3	2.3
United States	-5.0	4.8	-8.8	8.6	-10.8	2.9
<b>Global</b>	<b>-4.8</b>	<b>4.2</b>	<b>-9.2</b>	<b>8.1</b>	<b>-11.1</b>	<b>2.8</b>

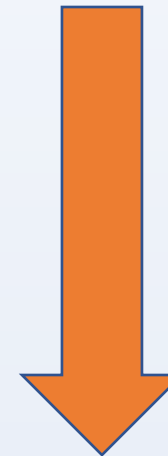
Note: The numbers in this table deviate from the numbers in the press release (WTO, 2020). This table presents the per cent deviation of GDP from the baseline, whereas the press release contains the projected growth rate in 2020 relative to 2019.

# ESTIMATED IMPACT OF COVID-19 ON FDI

## FDI downward trend



**Downward pressure of -30 to -40% expected during 2020-2021**



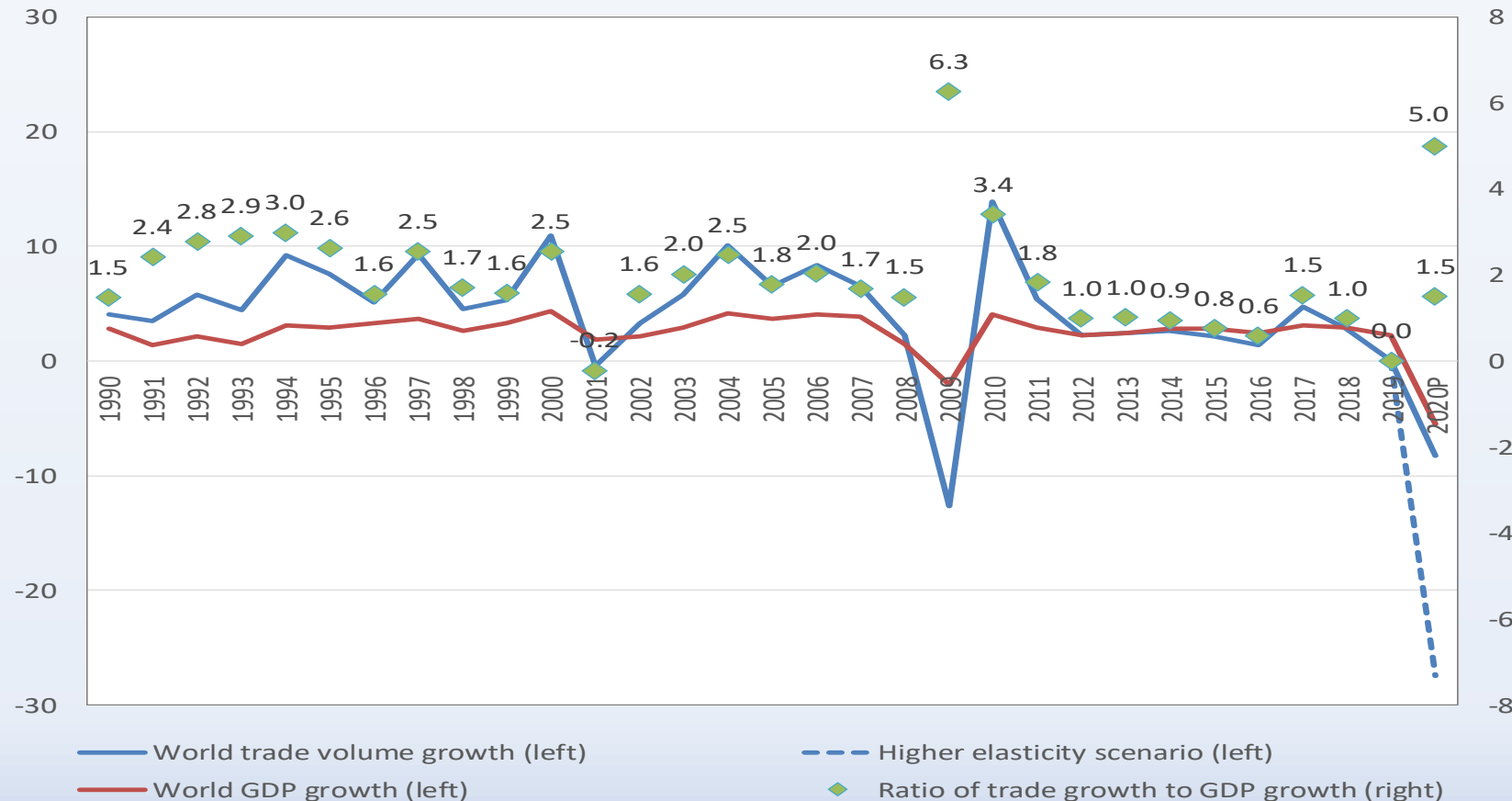
Source: UNCTAD, 2020

# Trade and Growth Relationship Has Changed Overtime: But for understandable reasons.



## 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.

**Table 1 Economic shocks under the three scenarios**

	V-shaped (optimistic)	U-shaped (mildly optimistic)	L-shaped (pessimistic)
<b>Labour supply</b>			
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
<b>Sectoral demand and supply</b>			
Tourism and recreation	3 months -80%: -20%	6 months -80%: -40%	Year 2020: 3 months -80% and 6 months -40%: -40% <sup>2</sup>
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%
<b>Trade costs</b>			
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 3 Trade weighted average percentage increase in ad valorem trade costs by channel and exporting region (Optimistic Scenario: V-shaped recovery)**

	Services trade costs	Specialized equipment	Border controls	Total
ASEAN	1.6	0.9	1.0	3.4
Australia New Zealand	1.4	0.3	1.0	2.7
Brazil	1.2	0.2	1.1	2.5
Canada	1.3	0.4	1.0	2.7
China	0.5	1.2	1.1	2.9
European Union 28	2.2	0.6	0.9	3.8
India	2.8	0.3	0.9	4.0
Japan	0.9	1.4	1.1	3.4
Latin America	1.5	0.3	1.0	2.8
Mexico	0.4	0.7	1.1	2.2
Middle East and North Africa	1.1	0.2	1.1	2.4
Newly industrialized countries	1.8	1.2	1.0	4.0
Other Asian countries	3.4	0.1	0.7	4.2
Rest of World	1.4	0.4	1.0	2.8
Sub-Saharan Africa	0.9	0.3	1.1	2.2
United States	2.4	1.3	0.9	4.6
<b>Global average</b>	<b>1.7</b>	<b>0.7</b>	<b>1.0</b>	<b>3.4</b>

**Global average tariff around 8%, so trade cost increase equal to about 40% tariff hike in global average**

**Table 9 Contribution of different shocks to the projected per cent change in real GDP and real exports in 2020**

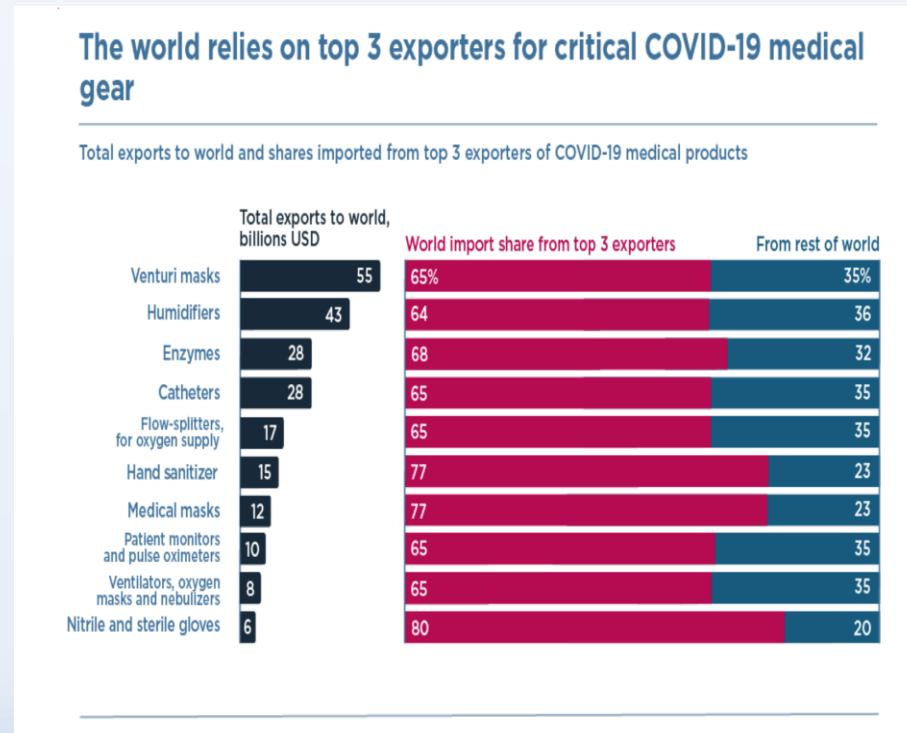
		Labour supply	Trade costs	Air cargo	Sectoral shifts
V-shaped	GDP	42%	20%	1%	38%
	Trade	21%	34%	20%	25%
U-shaped	GDP	30%	20%	0%	50%
	Trade	14%	32%	10%	44%
L-shaped	GDP	31%	16%	0%	52%
	Trade	13%	24%	7%	55%

# WHAT ROLE FOR TRADE POLICY TO HELP FIGHT COVID-19?

**POLICY OUTCOME: Improved timely access to sufficient and affordable critical supplies**

**80 countries have imposed export restrictions. Way to go?**

- Export restrictions hurt people in importing countries
- But they also hurt exporting countries:
  - Increase prices
  - Discourage investment
  - Invite retaliation
- Past experience: 2007-08 food export restrictions increased prices and volatility





# WHAT ROLE FOR TRADE POLICY TO HELP RECOVER?

- Keep **supply chains** moving
- ... and **trade lanes** open
- Keep **trade finance** flowing
- Enable **FDI** expansion
- Support **MSMEs** in trade



# APPROACHES TO MITIGATE RISKS OF PANDEMICS IN THE FUTURE – THERE IS AN IMPORTANT ROLE FOR TRADE POLICY

- **Firms, Households, and Governments will need to evaluate risk vs. efficiency trade offs:**
- **Risks for firms – inventories (from “just in time” to larger inventories for critical parts), supply chains (diversification), production (automation and digitization). It’s a risk vs. efficiency calculation for them.**
- **Governments – how to manage for demand spikes above average supply? Build and manage emergency stockpiles in ways that taxpayers/citizens can afford/accept = role for trade, flexible domestic production and/or international “insurance” agreements. Tracking and tracing. Uncertainty as to requirements of next pandemic/crisis (climate?) Again, risk vs. efficiency trade off.**
- **Households – remote work, privacy, ability to social distance and earn income, get critical services (education, health care, etc), and access/purchase necessary products while isolated.**