



Value Chain Resilience in a Context of Uncertainty

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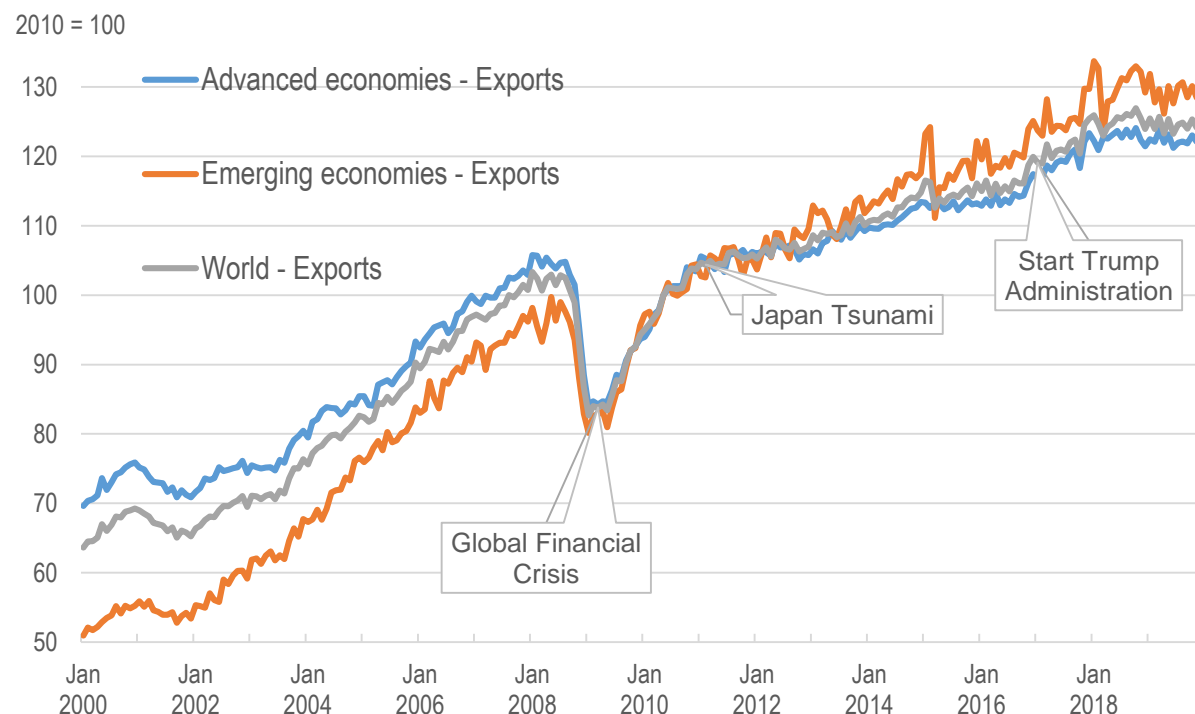
CBS Week van de Globalisering:

Session: “Caught in the Middle. The Netherlands in a world of Growing Global Protectionism”

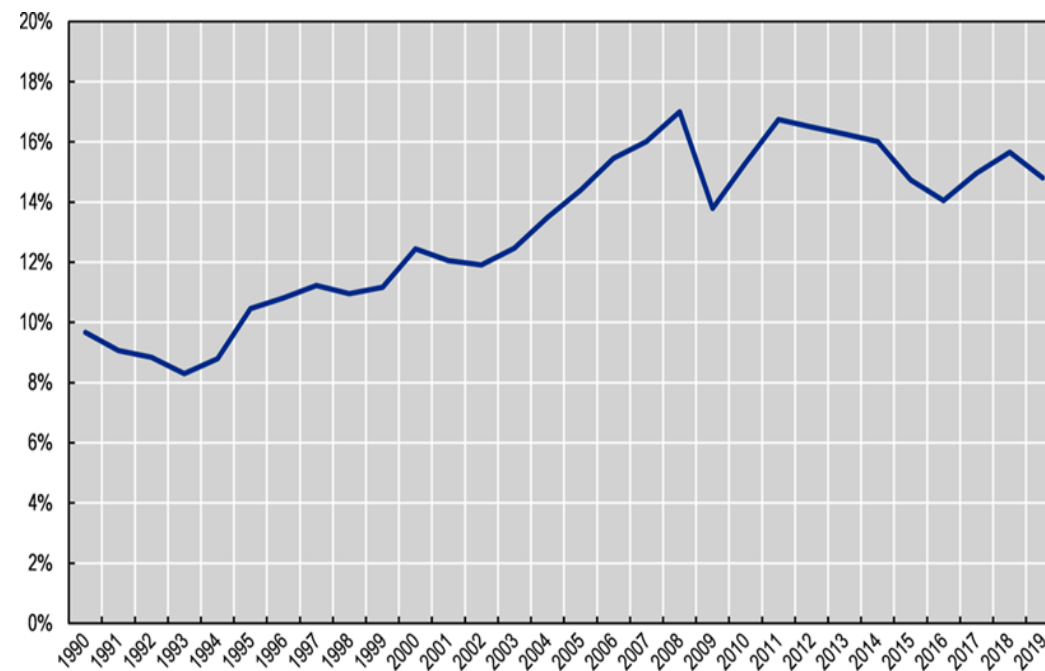
25 januari 2021

The World Pre-COVID, Post-GFC

Global merchandise trade up to 2020



The import intensity of production reached a peak in 2008



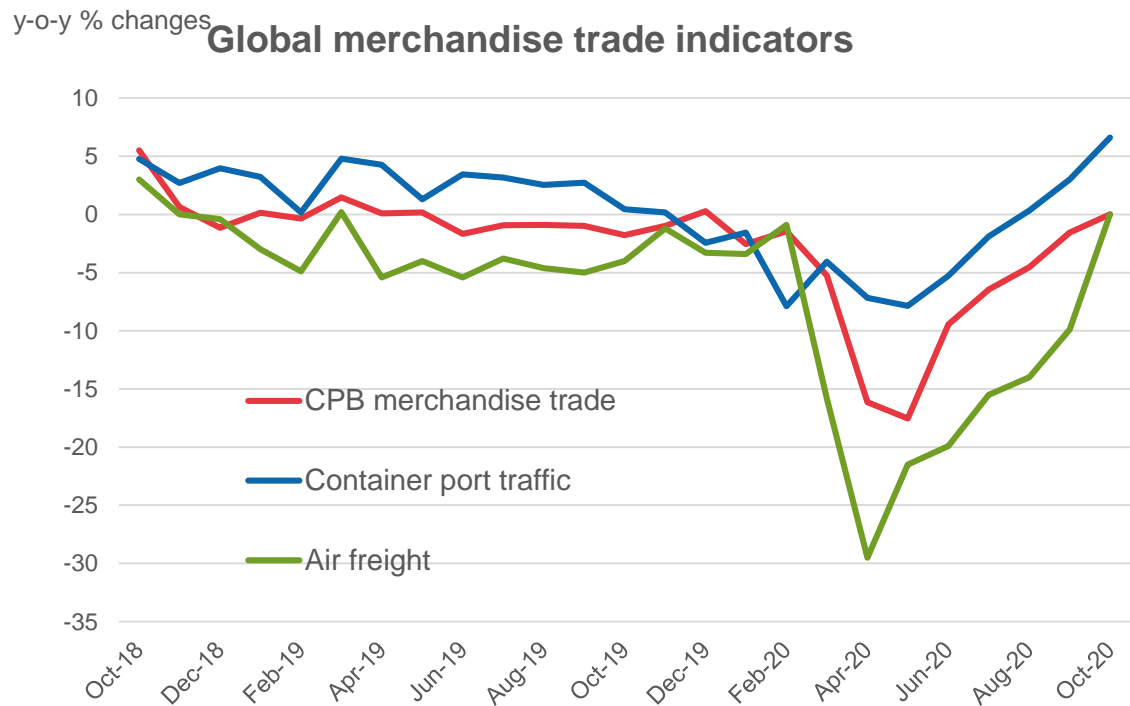
Source: CPB World Trade Monitor; OECD. The ratio indicates the value of trade in intermediate goods and services as a percentage of gross output.



THE COVID-19 CRISIS

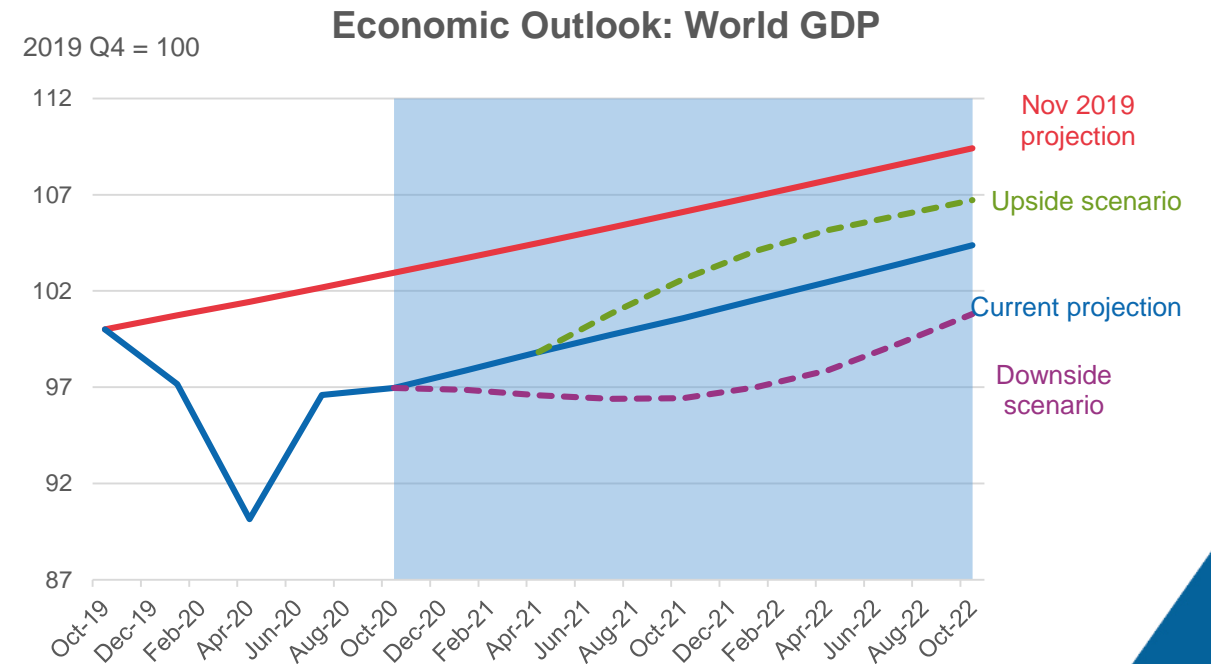
The hit has been hard and recovery will be slow

Trade indicators show a steep drop and a tepid recovery



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

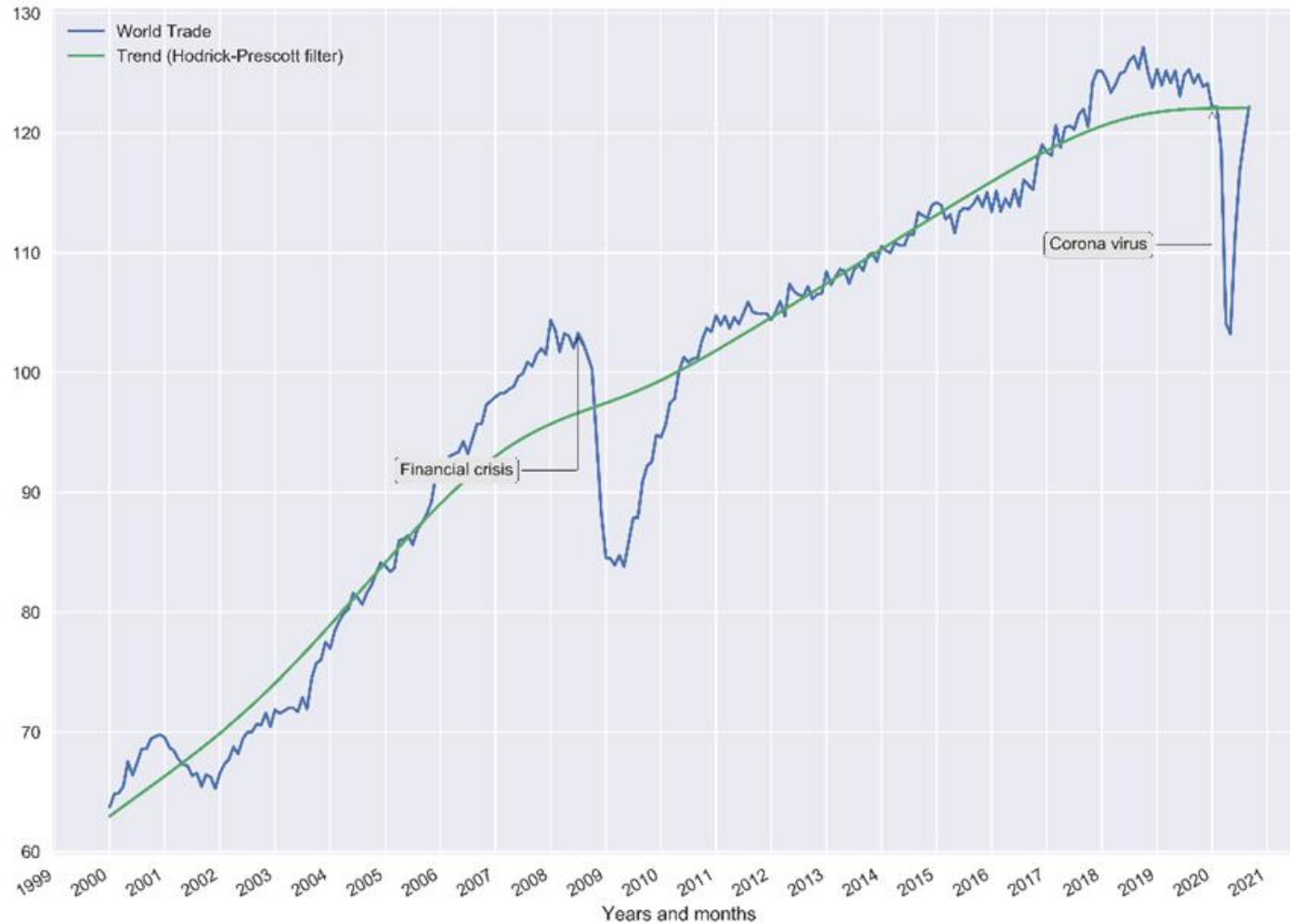
GDP projections for next year show a fragile recovery and heavy losses



Source: OECD Economic Outlook December 2020

World trade is continuing its sharp rebound in the second half of 2020 but remains about 5% below its 2019 level.

Level/trend decomposition of world trade (2010 = 100)

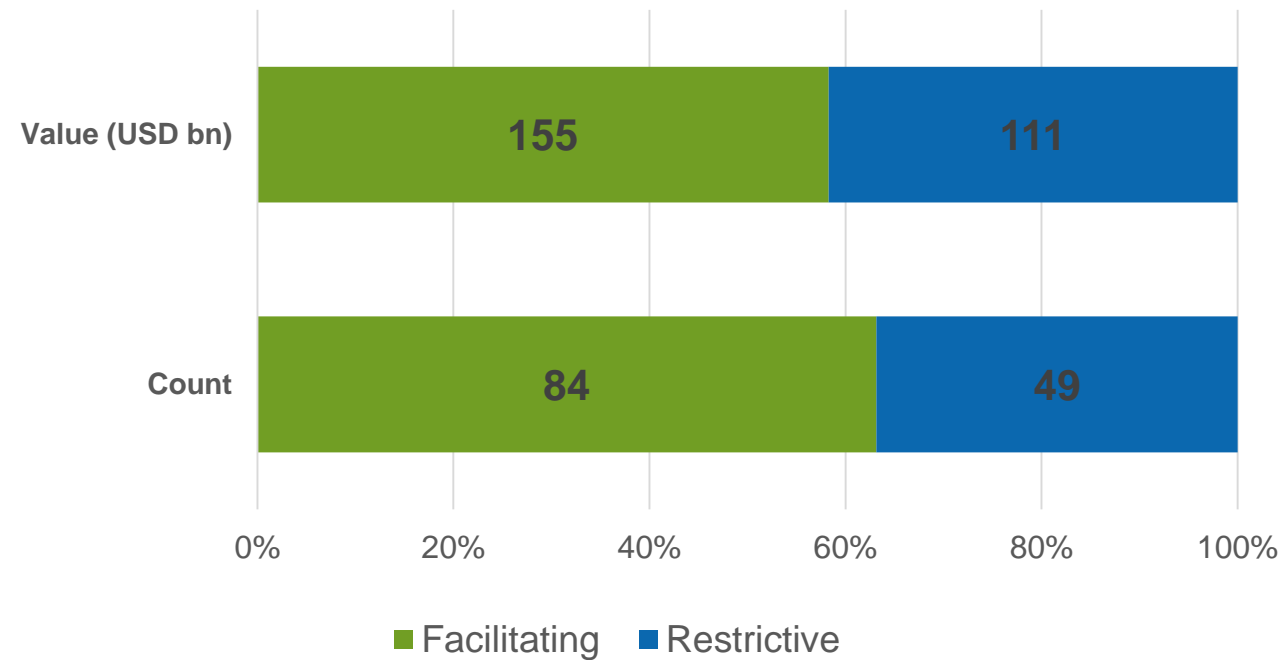




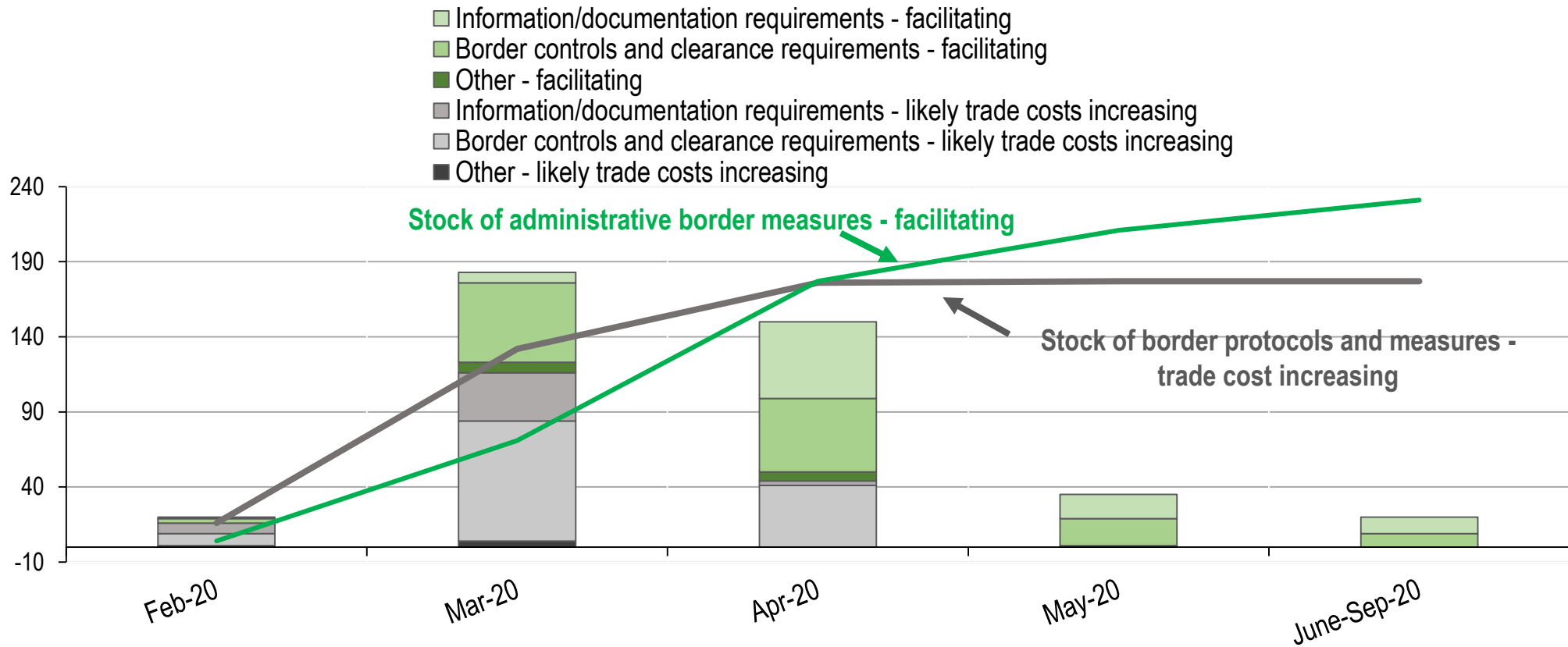
TRADE POLICY RESPONSES IN 2020

Governments reacted with trade restrictions but also facilitation

G20 COVID trade measures until mid-October



By April trade facilitation outweighed restrictions



Source: OECD

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”





TRADE AND POLICY LANDSCAPE IN 2021 (AND BEYOND?)

Trade and Policy landscape in 2021 (and beyond?)

Regions/countries are recovering at different pace

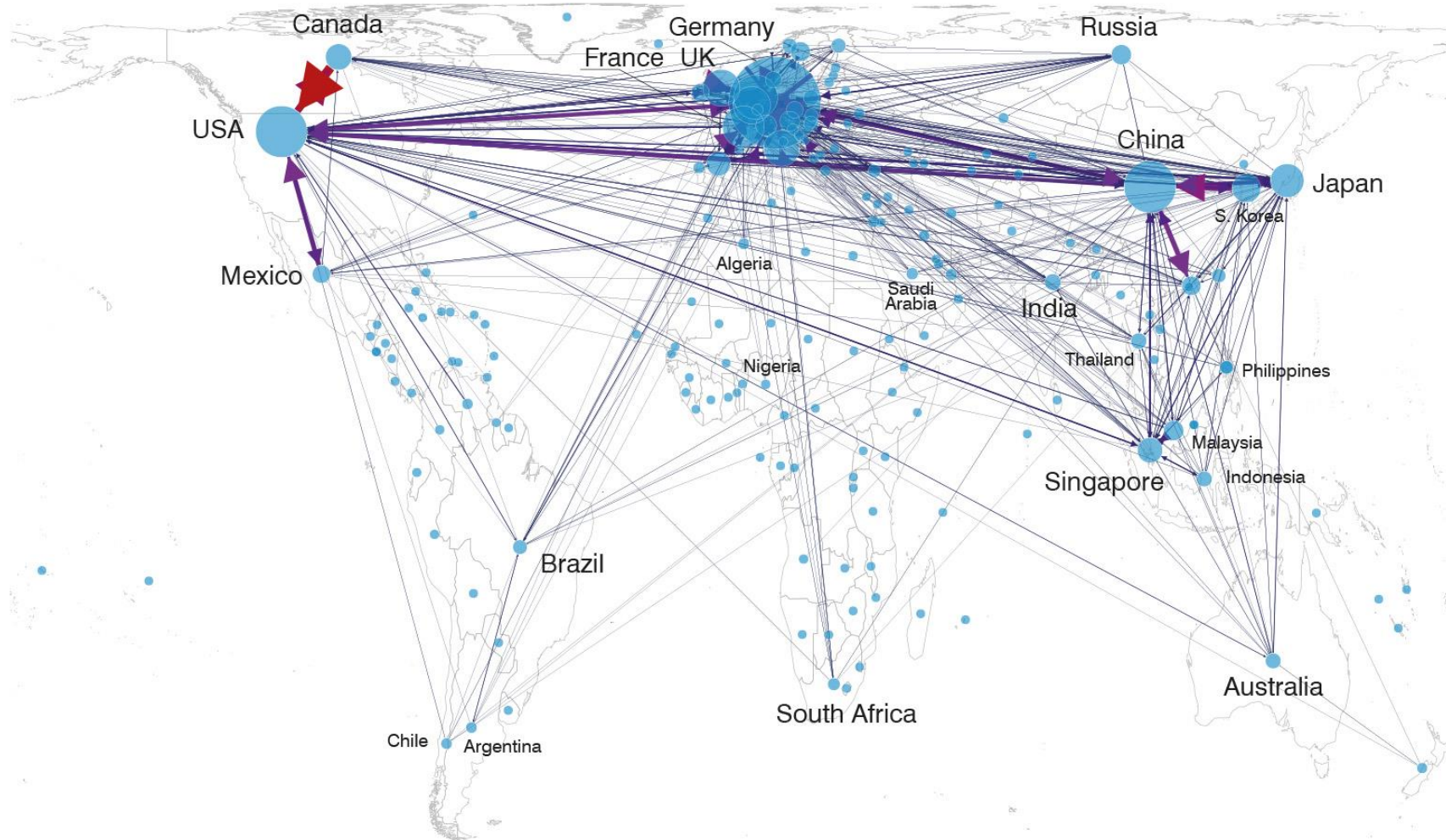
Widespread policy discussions about need to strengthen resilience of value chains

EU trade and investment policy (caught in the middle or bridge builder?)



Regions/countries are recovering at different pace

Where are value chains active?



COVID shock on Dutch supply chains

PROJECTED SUPPLY CHAIN EXPORT LOSS, by sector

MOST AFFECTED SECTORS	SECTOR CHARACTERISTICS, 2019			EXPECTED LOSS: Exports of industrial inputs, 2020					
	Export	SME presence	Women employment	Total export loss to the G3		to China	to the European Union	to the United States	
Plastics & rubber	29 441			6%	<div></div>	1 858	77	1 703	78
Chemicals	45 160			4%	<div></div>	1 837	52	1 662	124
Machinery	64 652			2%	<div></div>	1 393	114	1 196	83
Electronic equipment	84 470			1%	<div></div>	1 194	35	1 134	25
Ferrous metals	11 018			7%	<div></div>	754	9	718	27
Other subsectors	311 696			1%	<div></div>	3 707	136	3 412	160
Total	546 437			2%		10 744	423	9 825	496

All figures are in \$ million, unless specified otherwise. Green dot: share above the average. Red dot: share below the average. Blank cells: data is not available or not applicable.

PROJECTED SUPPLY CHAIN IMPORT LOSS, by sector

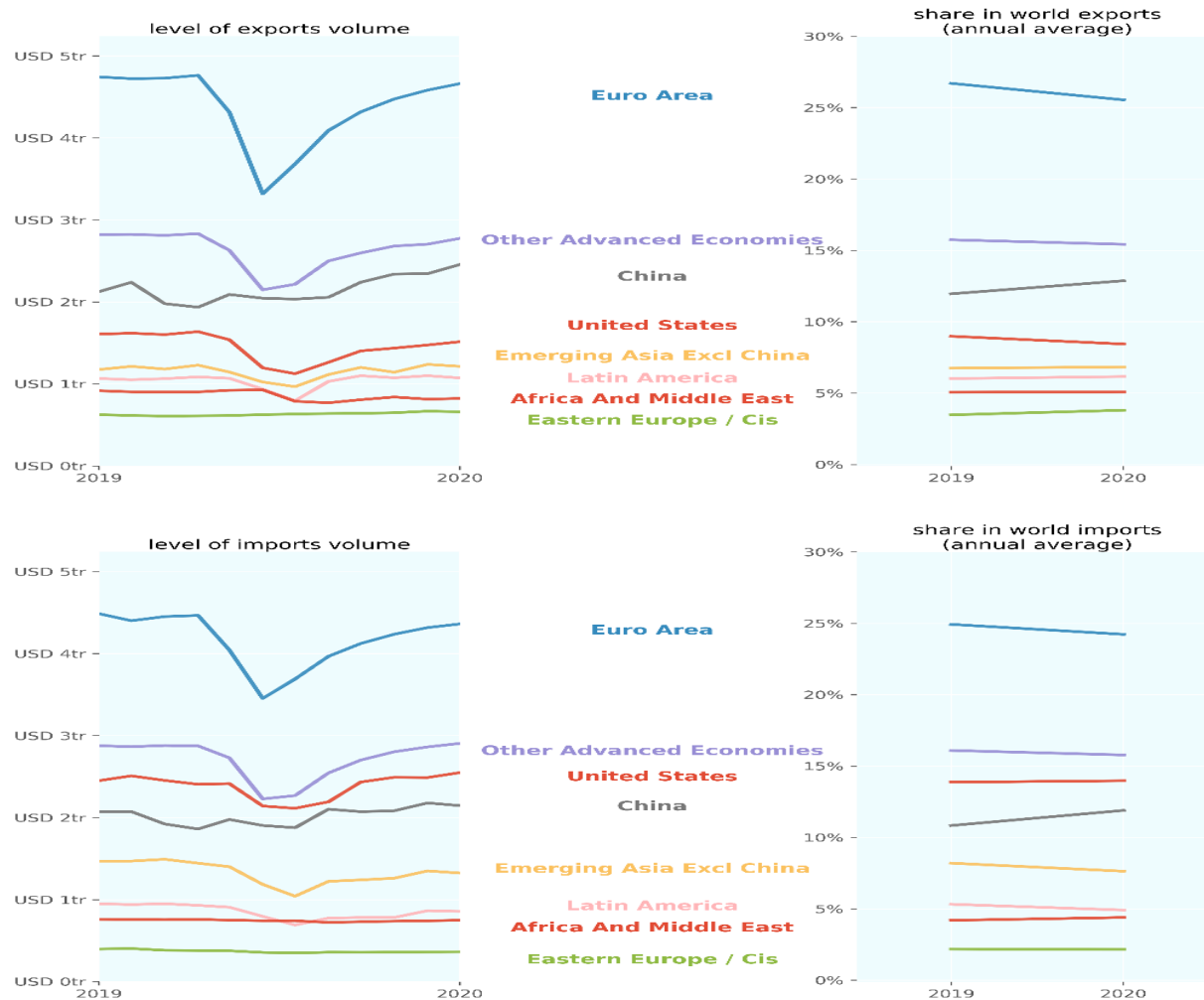
MOST AFFECTED SECTORS	SECTOR CHARACTERISTICS, 2019			EXPECTED LOSS: Imports of industrial inputs, 2020					
	Required imported inputs	SME presence	Women employment	Total import loss from the G3		from China	from the European Union	from the United States	
Electronic equipment	15 596			12%	<div></div>	1 928	716	1 050	162
Machinery	13 217			13%	<div></div>	1 723	306	1 280	138
Motor vehicles & parts	7 061			14%	<div></div>	956	108	792	56
Chemicals	7 135			13%	<div></div>	943	120	718	106
Plastics & rubber	6 882			14%	<div></div>	938	103	721	114
Other subsectors	21 518			13%	<div></div>	2 749	483	1 988	278
Total	71 410			13%		9 237	1 835	6 549	853

All figures are in \$ million, unless specified otherwise. Green dot: share above the average. Red dot: share below the average. Blank cells: data is not available or not applicable.

Source: International Trade Centre, SME Competitiveness Outlook, figures in USD millions

Regions/countries are recovering at different pace

World trade 2019-11 to 2020-10



Source: CPB World Trade Monitor, OECD calculations

China's share in world exports climbed from 12% in 2019 to 13% in 2020 (up to October), and that of imports from 11% to 12% in 2020.

China also reported a record trade surplus of USD 75.43 billion in November



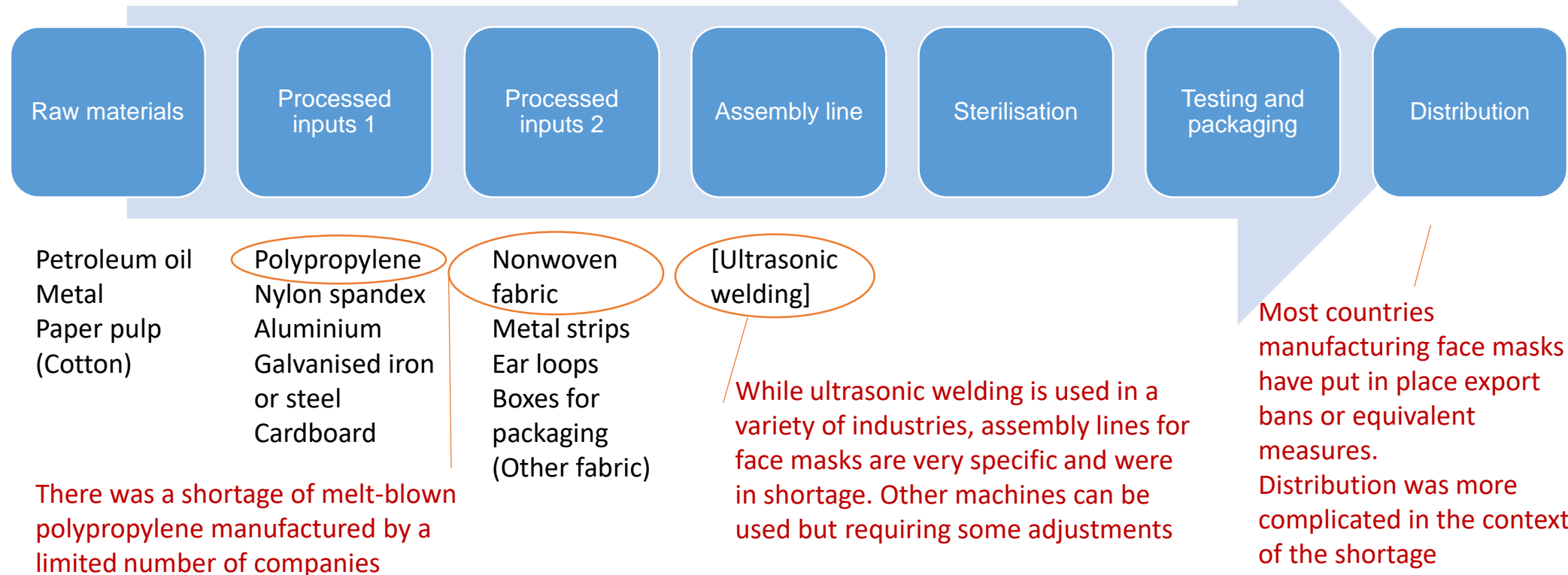
Widespread policy discussions about need to strengthen resilience of value chains

Build resilience of supply chains for “essential” goods

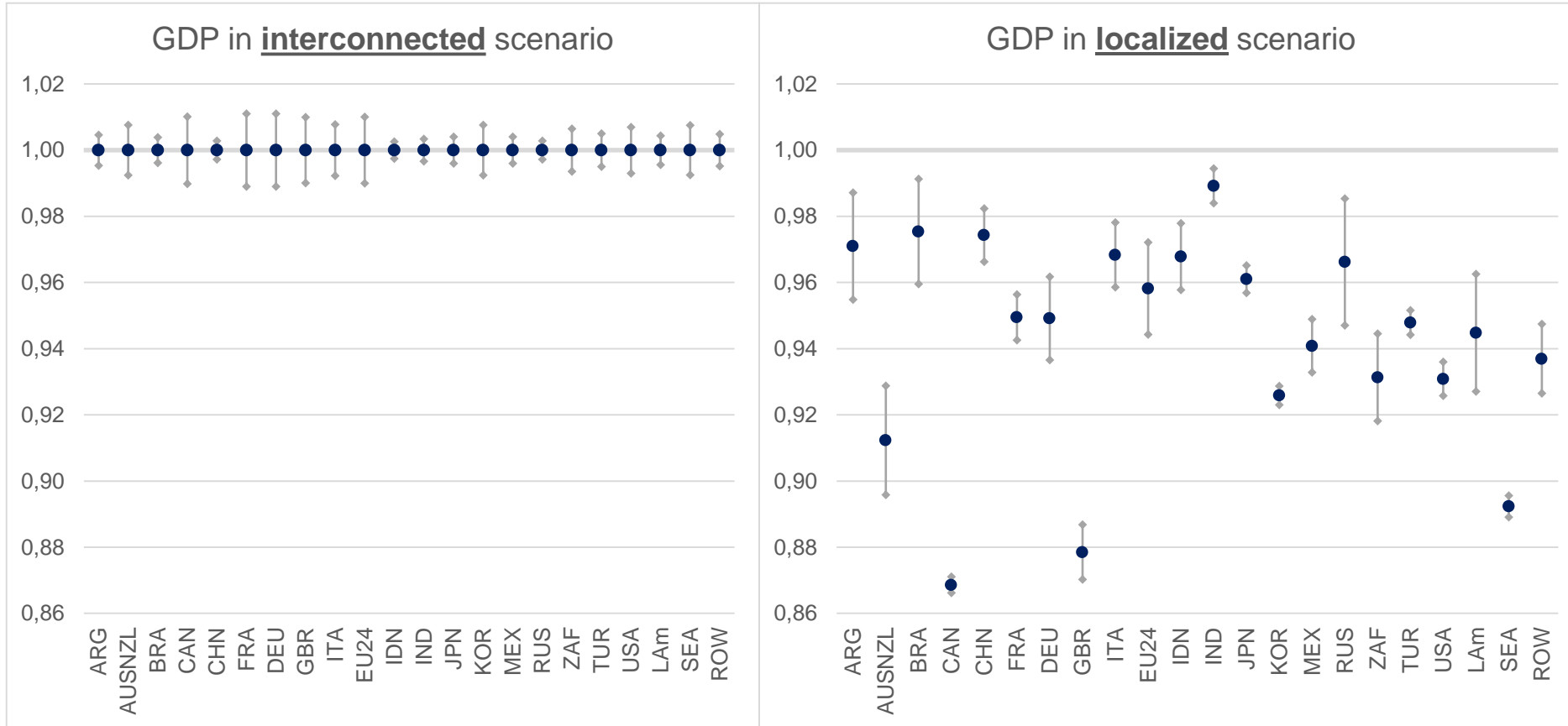


» The value chain level: Complexity

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



Localisation: less efficient, less stable real GDP

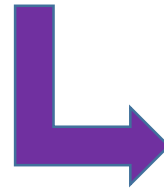


Source: Shocks, risks and global value chains: insights from the OECD METRO model by OECD, (OECD, 2020)

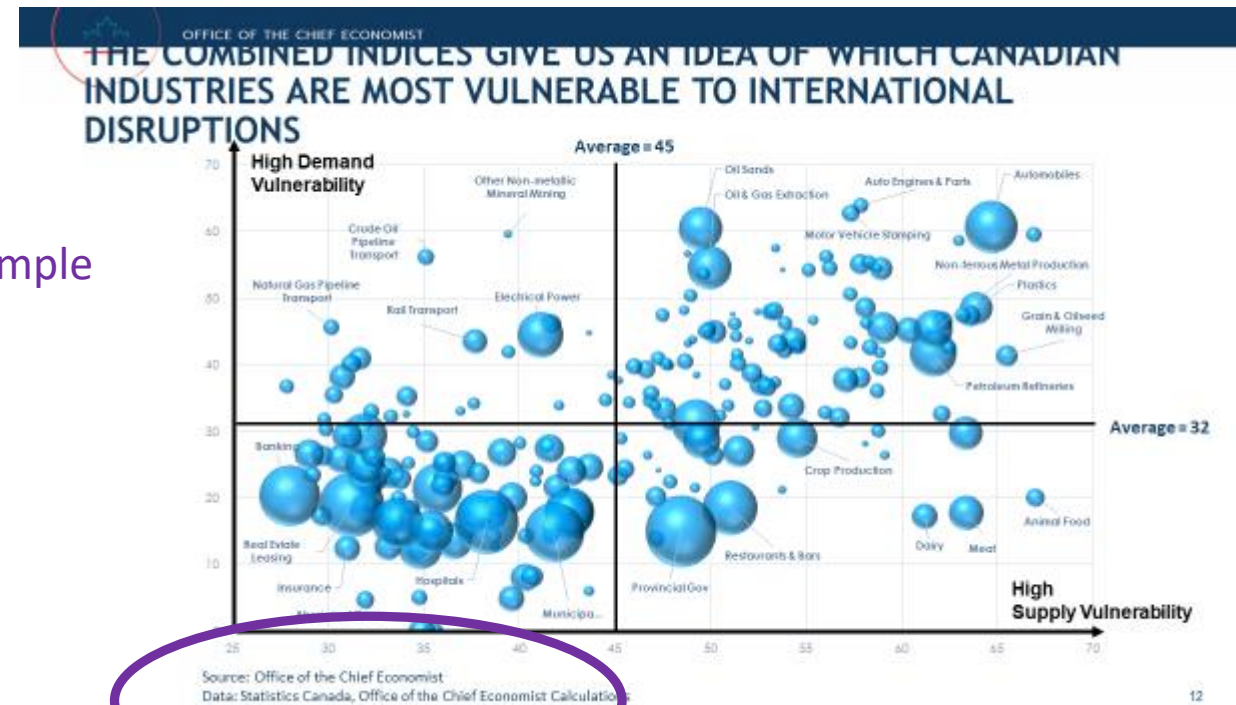
Hitting the right middle ground?

Tools and approaches to build resilience in global supply chains

1. Determine government policy objectives
 - a) Determine situations where government involvement might be required
 - b) Identify and diagnose possible shocks
2. Identify “essential” goods and assess supply chain vulnerabilities
3. Minimize exposure to shocks
4. Ensure resilient response capacity



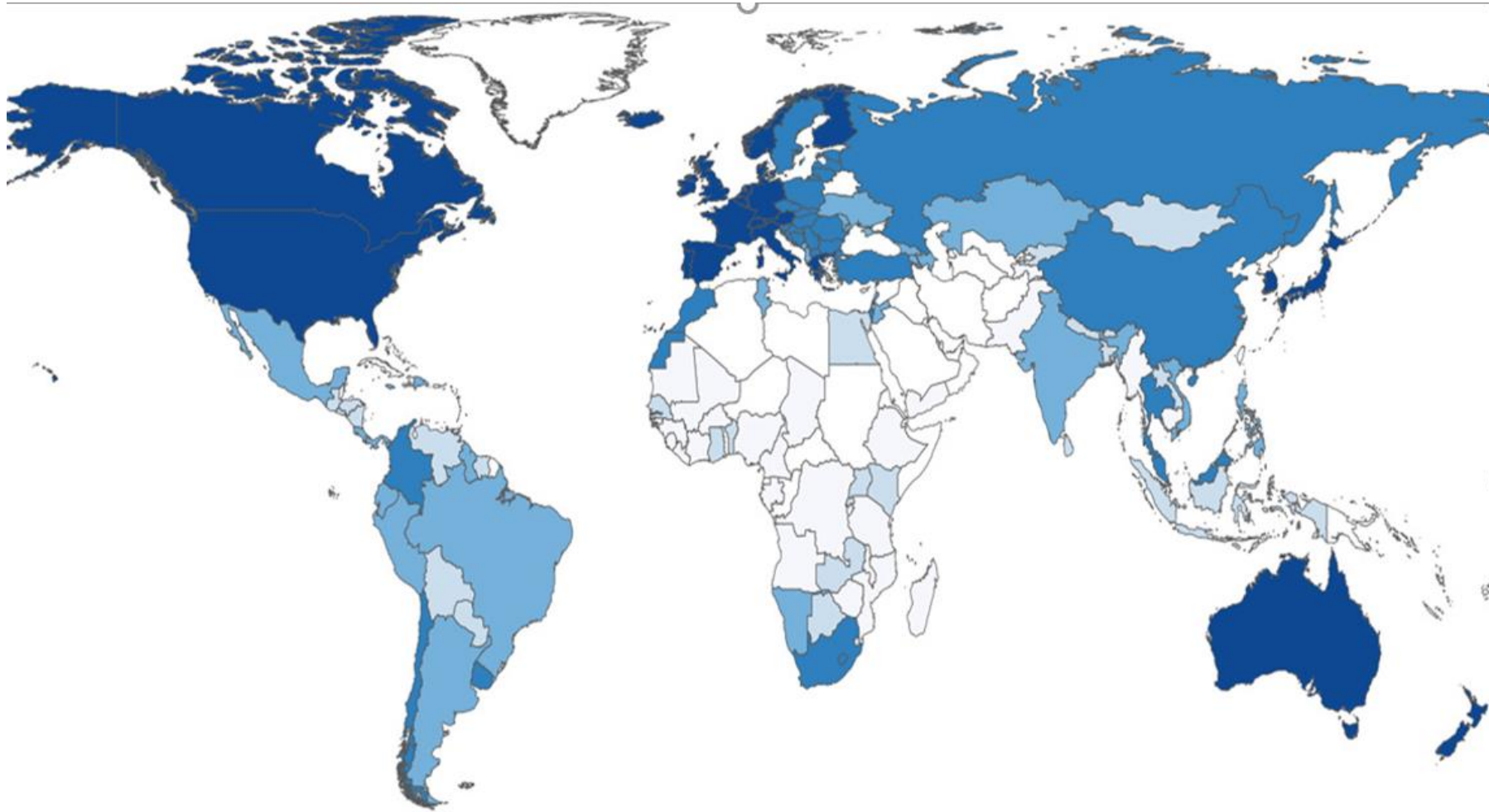
example



Possible ingredients

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

The future of value chains?



Contact us

We look forward to hearing from you!



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OECD's research and
analysis on trade at:

www.oecd.org/trade



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