



WORLD TRADE REPORT 2021

Economic resilience and trade



WORLD TRADE
ORGANIZATION



- A. Introduction**
- B. Why economic resilience matters**
- C. The role of trade in economic resilience**
- D. The role of international cooperation in building economic resilience**
- E. Conclusion**

Opinion pieces



Chad P. Bown



Patrick Gaulé



Alison Gillwald



Stephane Hallegatte



Ellen 't Hoen



Sebnem Kalemli-Özcan



Susan Lund



Mami Mizutori



Ralph Ossa

Boxes



Leila Baghdadi



Tabitha Kiriti-Nganga



Boopen Seetanah



Verena
Tandrayen-Ragoobur

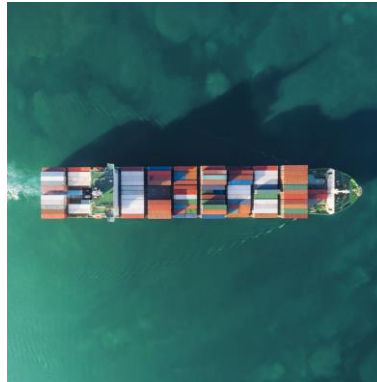


Jaime de Melo





B. Why economic resilience matters?



C. Role of international trade in economic resilience



D. Role of international cooperation in building economic resilience



B. Why economic resilience matters?

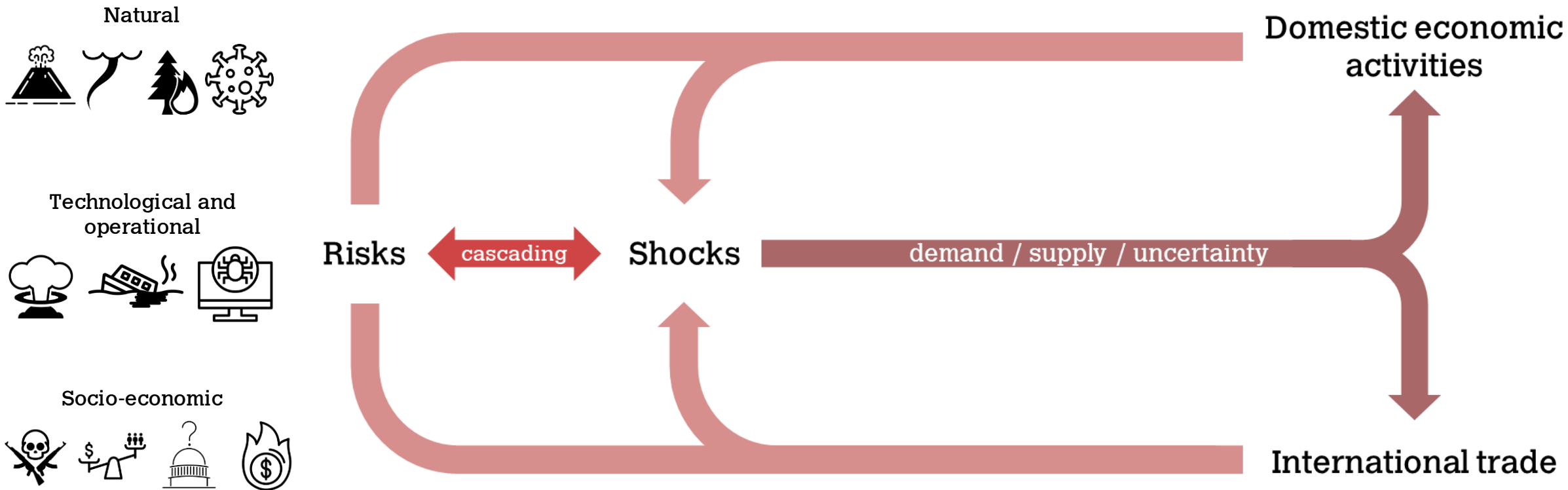


C. Role of international trade in economic resilience

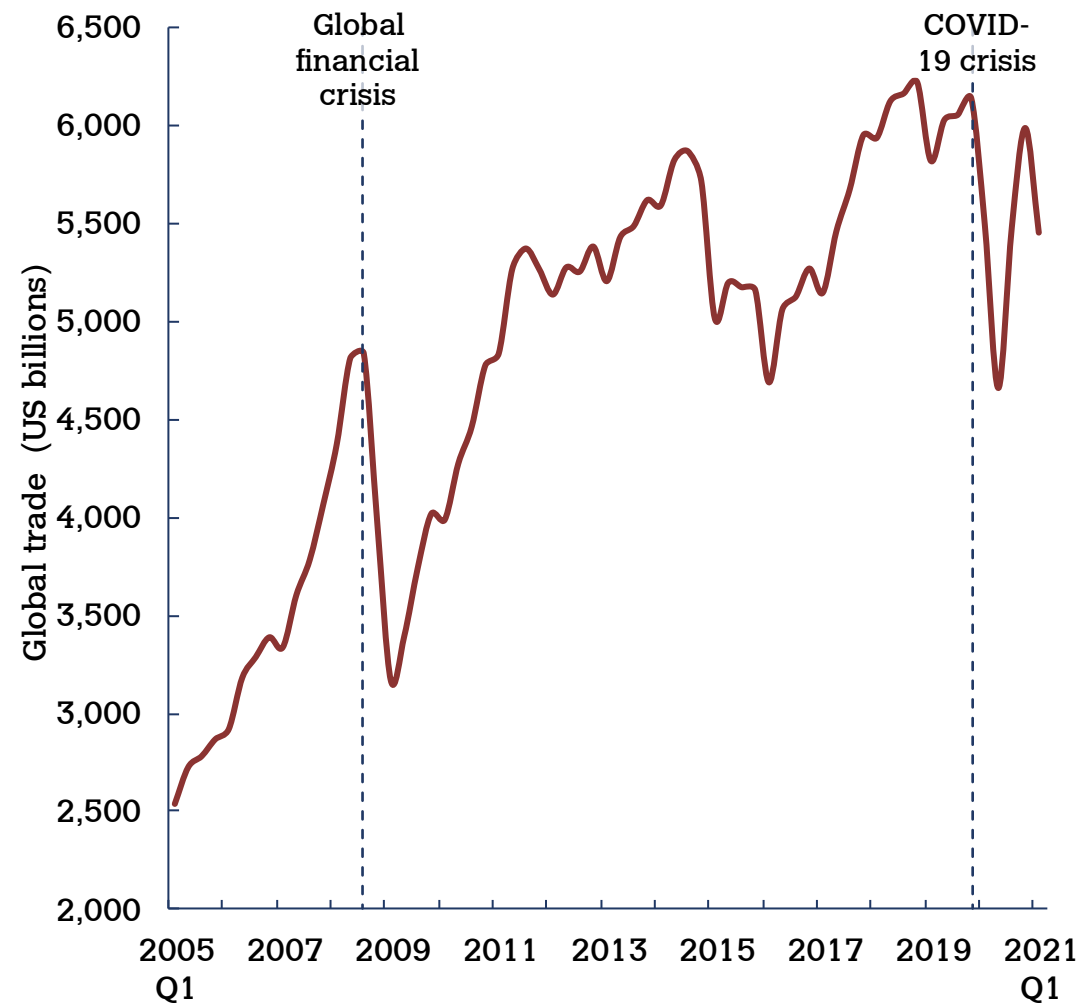
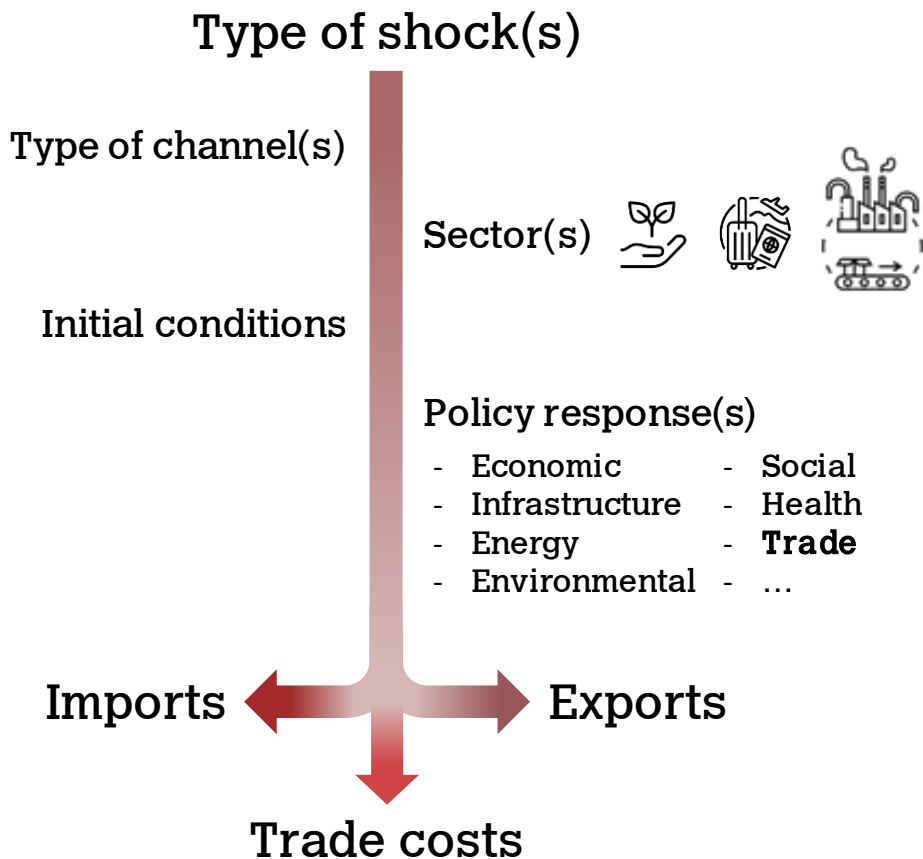


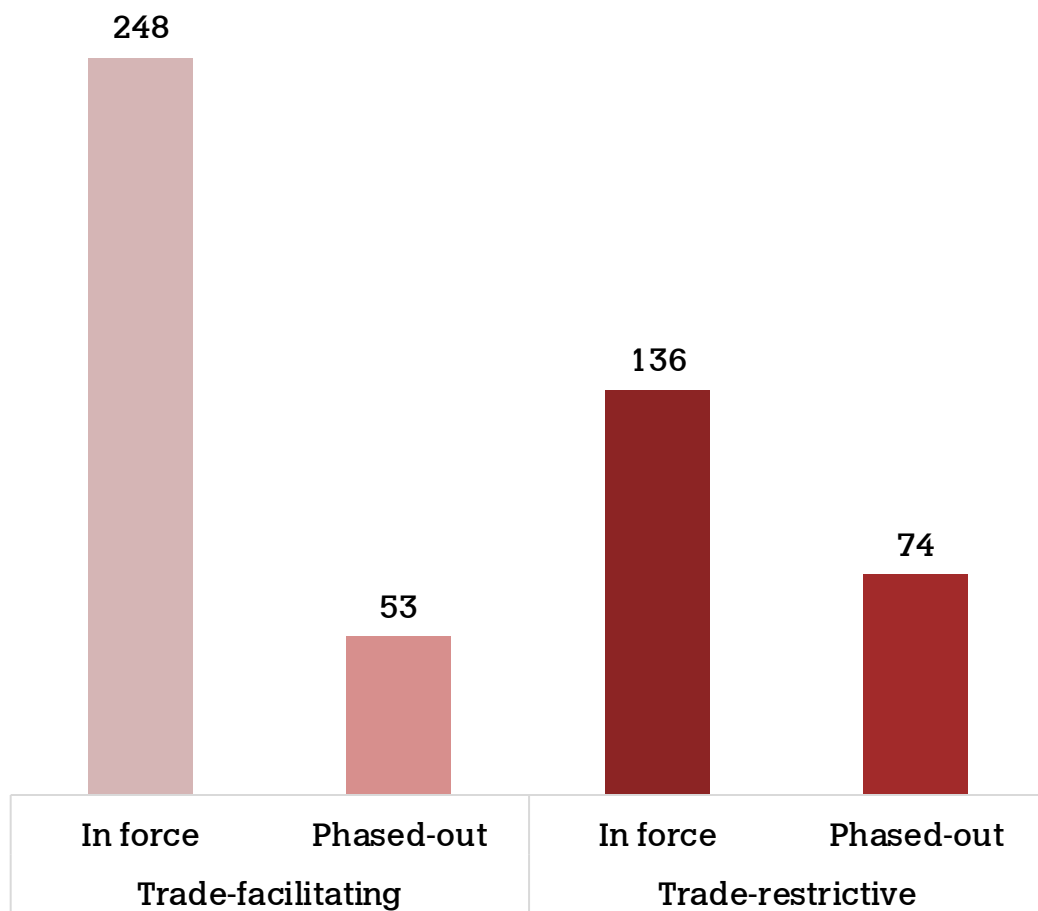
D. Role of international cooperation in building economic resilience

Economy is increasingly exposed to risks and shocks causing significant economic impacts



Trade impacts of shocks remain heterogenous

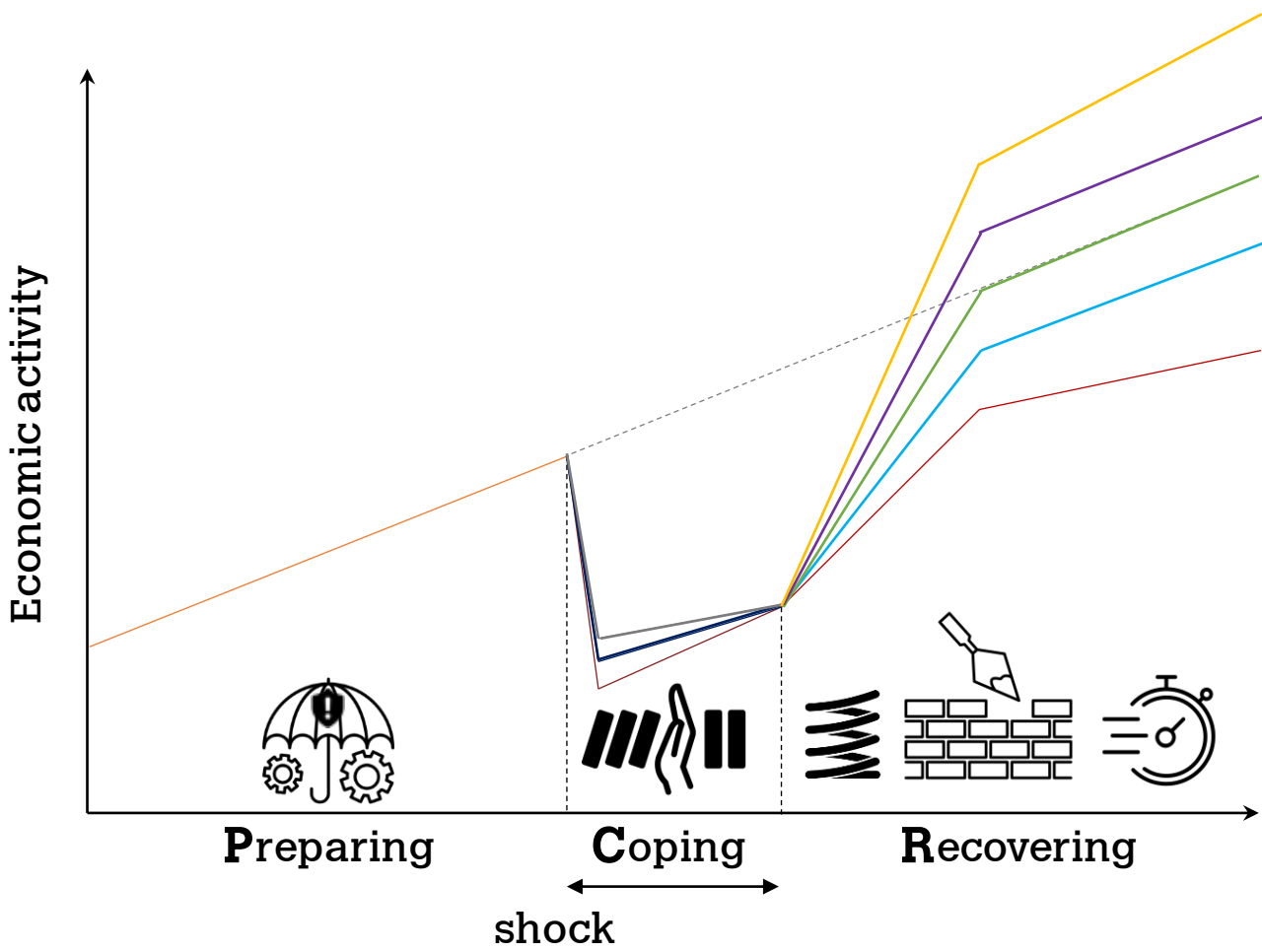




Number of COVID-19-related measures (mid-June 2021)

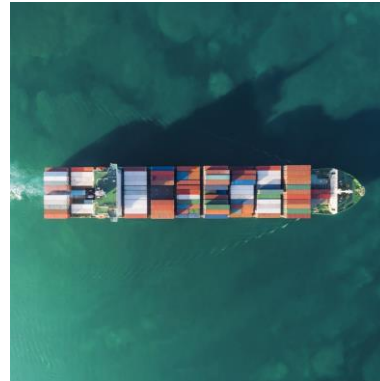
- (Temporary) trade protectionist measures
 - Trade remedy
 - Local content
 - Import restriction
 - Customs procedures
 - Export restriction
 - ...
- Trade opening measures
 - Customs procedures exemption
 - Digital customs procedures
 - VAT exemption
 - Tariff rebate and reduction
 - ...

Economic resilience is a dynamic concept





Importance of
economic resilience



Role of
international trade



Role of
international cooperation

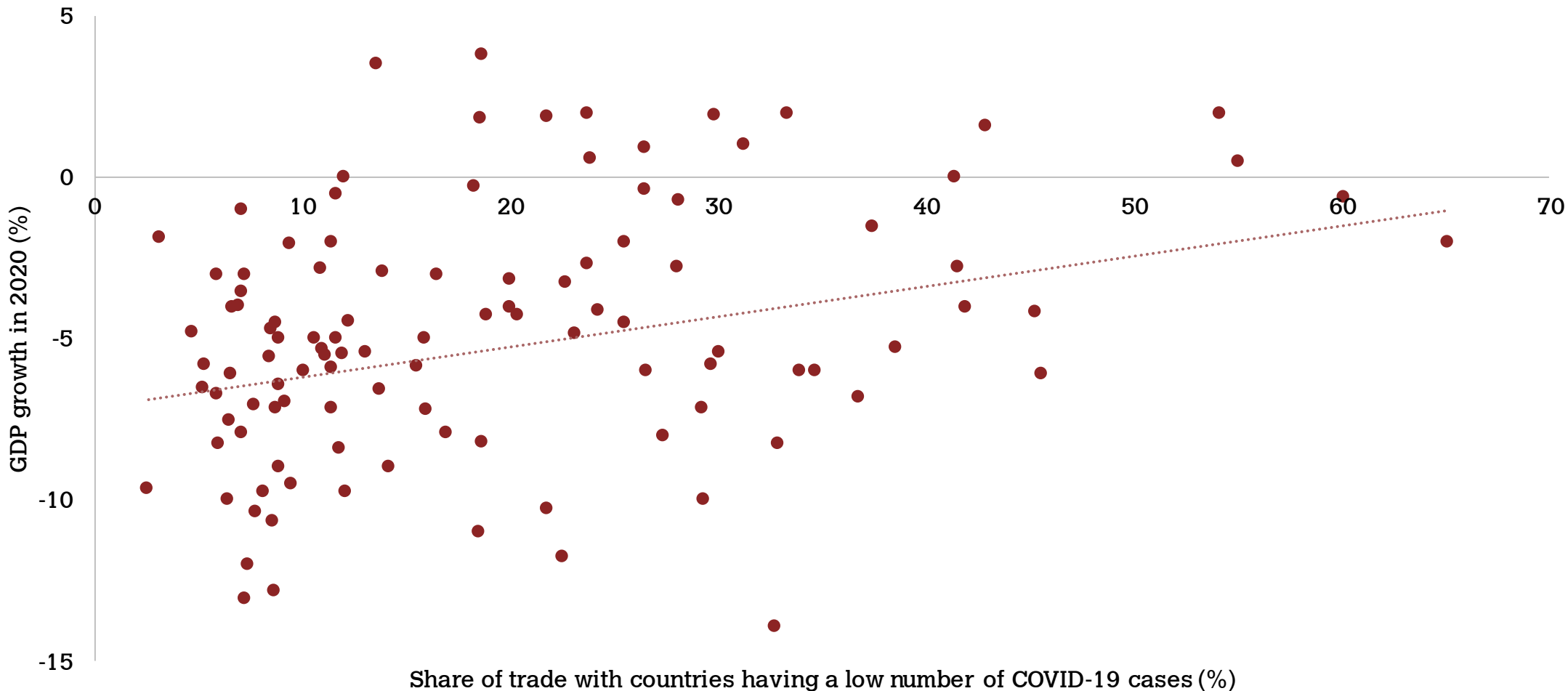
On the one hand, trade can contribute to the spread of shocks...

- **Pandemics can spread through trade of live animals, travel, and tourism**
 - Permanent restrictions to travel are costly though and illicit trade in livestock and wildlife cause most problems
- **Volatility of trade costs such as swings in transport costs and trade policies can make trade a source of shocks**
 - Stable and predictable trade policies crucial to limit the role of trade in spread of shocks
- **Trade is responsible for a small share of greenhouse gas emissions through transportation, although trade is also part of the solution for climate change**
 - Diffusion of green technologies
 - Trade facilitates the adaptation to climate change related shocks

But on the other hand, trade can also help to prepare for, cope with, and recover from shocks

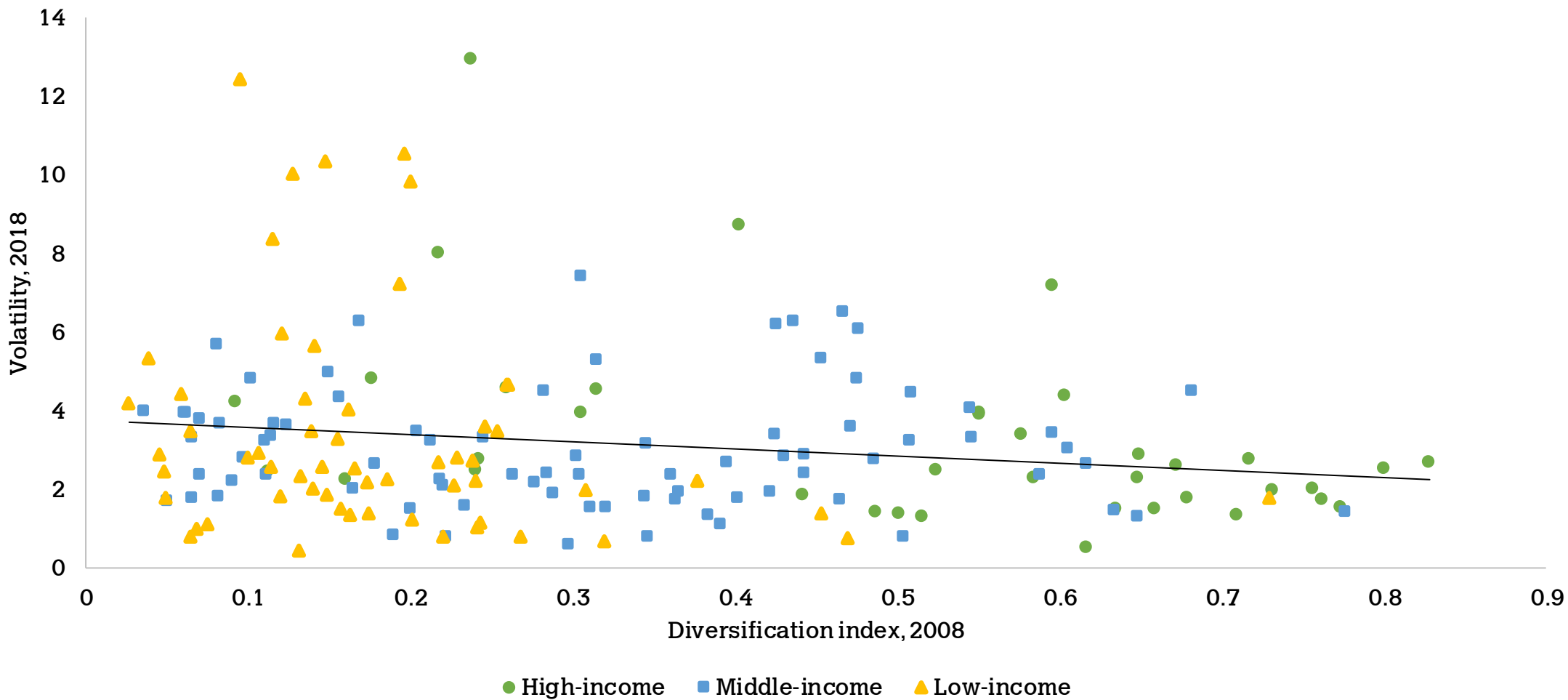
- **Trade's role in preparing for shocks**
 - Trade expands the resources available to prepare for shocks
 - Trade facilitates efficient supply of weather forecast services, insurance, telecommunications, logistics, health services
- **Trade's role in coping with shocks**
 - Trade plays a critical role in the quick provision of essential goods during crises such as the pandemic
 - Trade promotes specialization and knowledge spillovers, speeding up development of products required during crises such as vaccines
- **Trade's role in recovering from shocks**
 - Through trade countries can benefit from sustained foreign demand on the export side and the availability of intermediate inputs on the import side

Trade linkages help to accelerate GDP growth during the first year of the COVID-19 pandemic



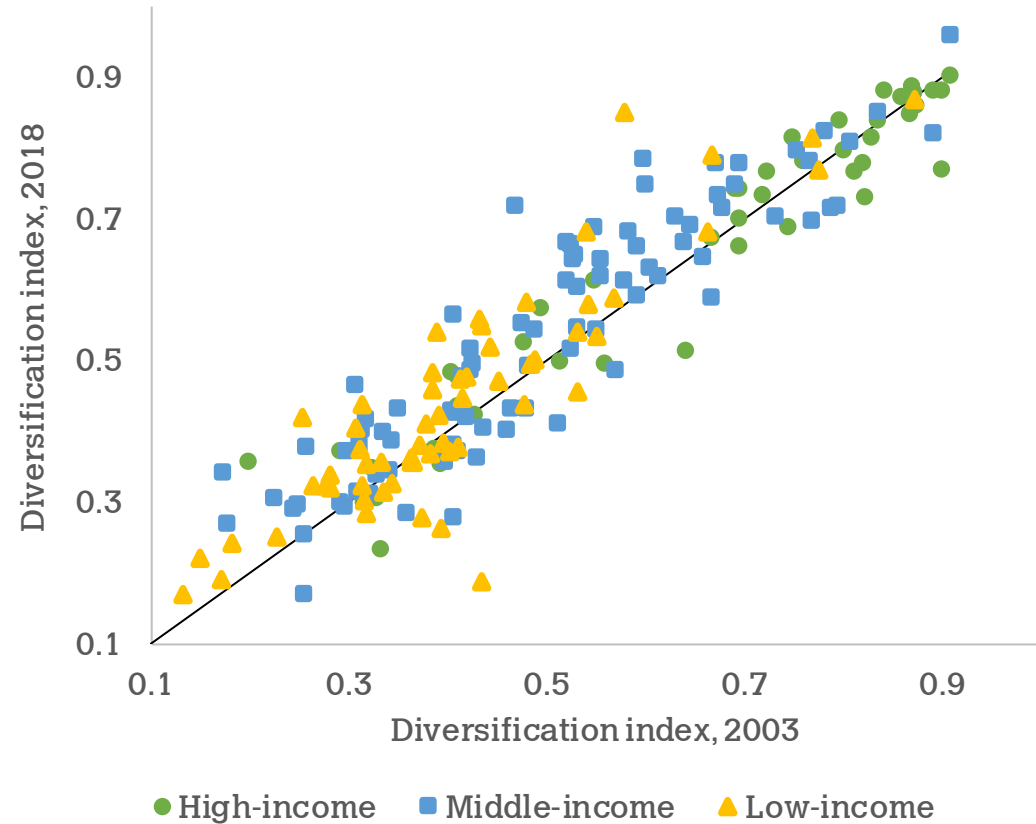
- **Empirical research suggests that beneficial coping effect dominates harmful spreading effect of trade as measured by macroeconomic stability:**
 - Increase in trade openness in the last 50 years has reduced macroeconomic volatility in most countries
- **Crucial role of diversification**
 - Trade allows countries to diversify sources of supply and demand, thereby reducing exposure to country-specific shocks
 - Diversification is associated with reduced volatility
- **Diversification has increased in the past decades, but change is slow**

Trade diversification reduces macroeconomic volatility

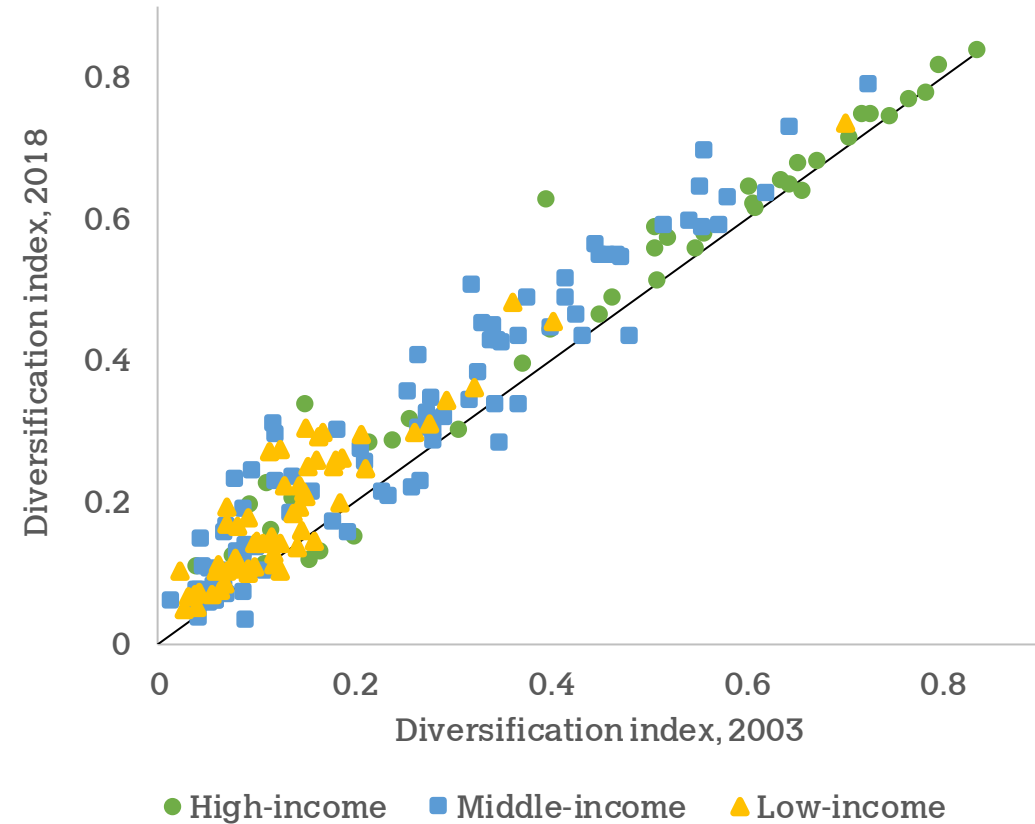


Product and geographical export diversification has increased in recent years

Product export diversification



Geographical export diversification





B. Why economic resilience matters?



C. Role of international trade in economic resilience



D. Role of international cooperation in building economic resilience

- Why does international cooperation matter for economic resilience and what forms does it take?
- International cooperation on non-trade policies can help reduce risk and vulnerabilities and enhance resilience
- International cooperation on trade policies can reduce risk and vulnerabilities
- International cooperation on trade policies can help cope with shocks
- International cooperation on trade policies can help recover after shocks

Unilateral action(s)



- In the absence of cooperation, governments do not take into account the international spillovers of their policies.
- Cooperation between governments can help them adopt more measures that generate positive international spillovers
- And less measures that generate negative international spillovers

Positive spillovers

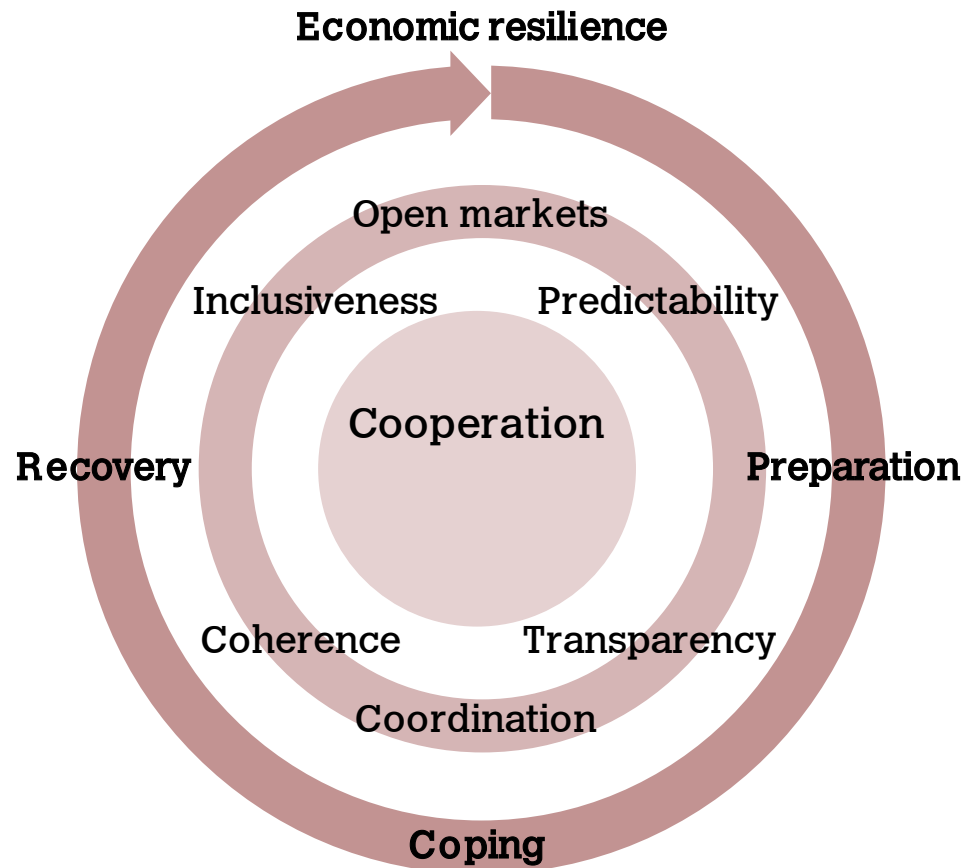
Suboptimal achievement



Negative spillovers

Risk of cross-retaliation
Income and welfare loss



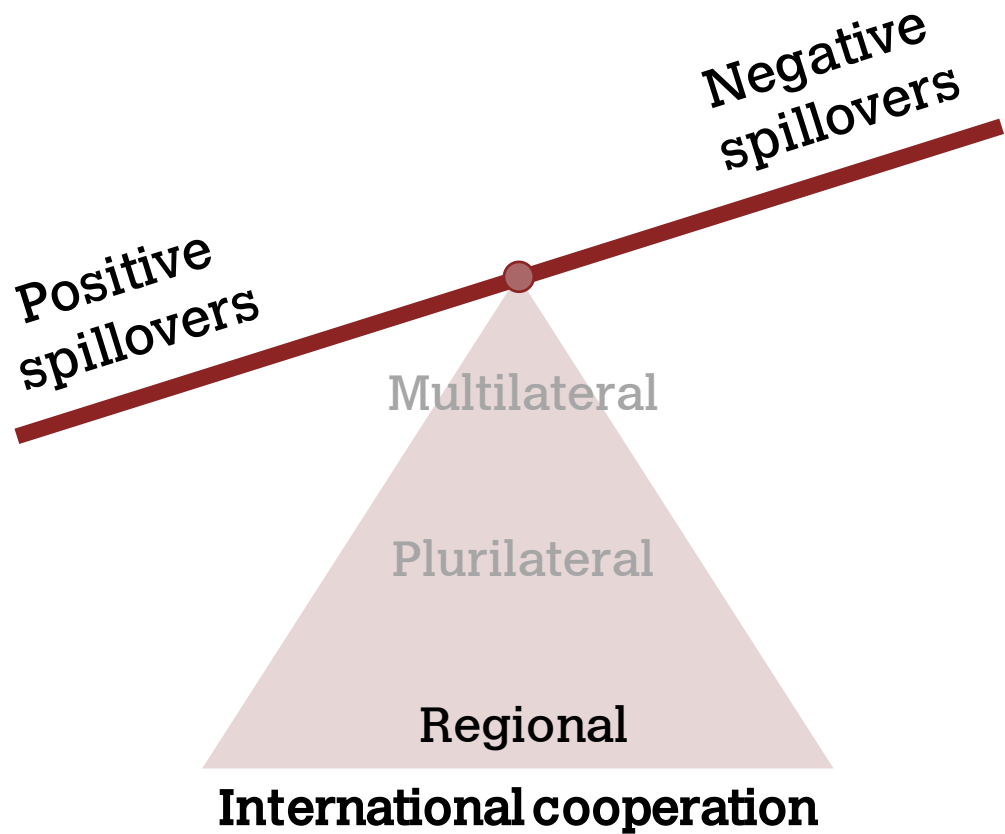


- The benefits of globalization are not shared widely or equally enough, and this leaves the world economy less resilient than it could be.
- Trade cooperation can help achieve more open markets and more inclusive, stable and predictable trade that promotes diversification of products, suppliers and markets, thus improving resilience to shocks.
- Cooperation can also promote greater transparency, information sharing, and predictability in the global marketplace – helping countries to better assess production capacities, avoid bottlenecks, manage inventories and prevent excessive stockpiling.
- International cooperation on trade takes place at the multilateral, plurilateral and regional level.

International cooperation on non-trade policies complements trade cooperation

- Maintaining coherence in financial, economic and trade policies through international cooperation is crucial to ensure that trade contributes to recovery processes after crises.
- The WTO contributes to coherence in international cooperation efforts aimed at building economic and financial resilience and enhancing the impact of trade in facilitating recovery, growth and development.
- More could be done to integrate better trade in disaster risk reduction initiatives and to integrate disaster risk reduction strategies in the trade policy debate.

Natural disasters are increasingly addressed in RTAs



Number of regional trade agreements (RTAs) with natural disasters provisions



International cooperation on trade policies can reduce risk and vulnerabilities

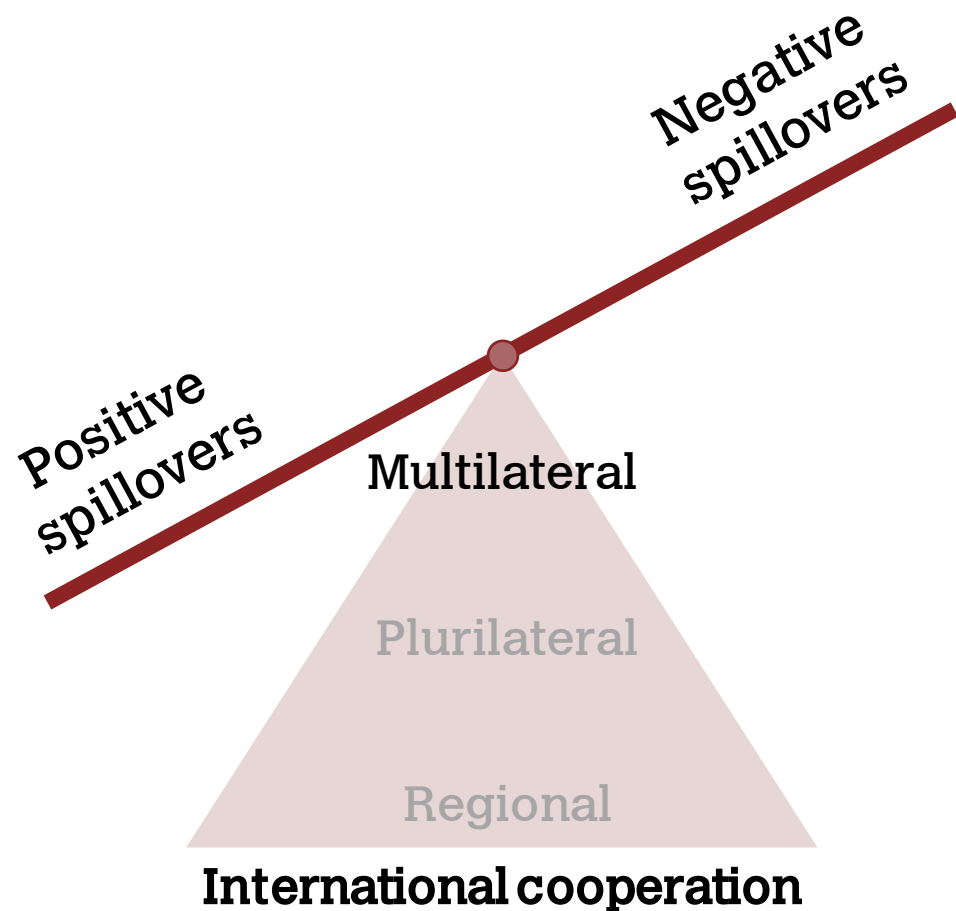
- The WTO **reduces trade policy volatility** that can result from shocks and/or that can itself be a source of shocks or a propagator of existing shocks.
 - The WTO does this through disciplines limiting Members' discretion to adopt policies causing negative cross-border spillovers while supporting policies creating or expanding positive spillovers.
- The WTO **enables import and export diversification** which reduces countries' exposure to country-specific demand-and-supply shocks
 - Transparent, predictable and open markets support diversification
 - Transparency provisions, lower tariffs, trade facilitation, e-commerce, aid-for-trade, initiatives on trade finance all play a role
 - Initiatives on investment facilitation and e-commerce could also contribute
- The WTO helps **strengthening the resilience of global value chains**, in particular for essential goods
 - Disciplining reshoring policies
 - Collecting and sharing information on value chains
 - Facilitating trade and collaborating on standards
 - Assessing and managing risks of bottlenecks or chokepoints
- The WTO helps **enhancing emergency preparedness** and limiting the propagation of shocks
 - Enhancing government procurement practices
 - Preparing for disruptions by improving the availability of critical services
 - Limiting the propagation of diseases through trade and trade-related mobility

International cooperation on trade policies can help cope with shocks

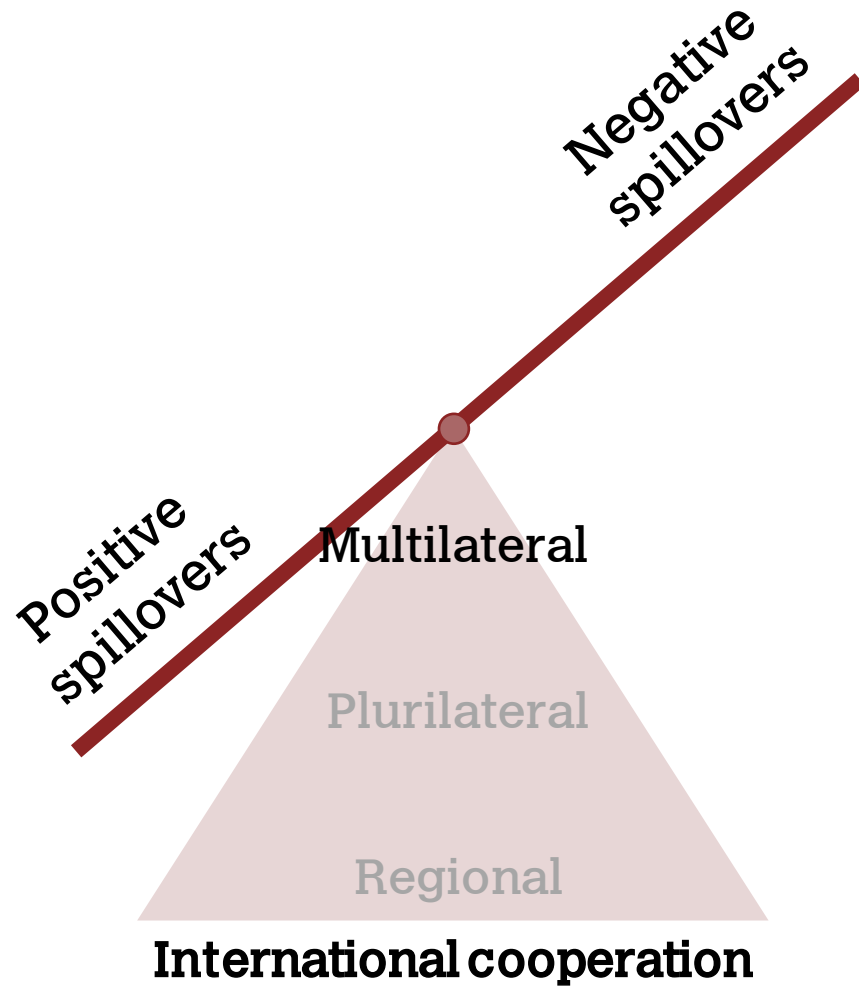
- The WTO can help **ensure access to essential goods** during a crisis
 - Discouraging the adoption of export restrictions on essential goods
 - New forms of international cooperation (Trade and Health Initiative)
- The WTO can contribute to **boosting vaccine production and making vaccines available to poorer countries**
 - Ensuring that IPR does not impede the production and deployment of vaccines, while continuing to facilitate the necessary technology partnerships
 - Opening markets for crucial inputs
 - Other initiatives including the Task Force on COVID-19 Vaccines, Therapeutics and Diagnostics for Developing Countries
- The WTO can help **mitigating protectionist responses to shocks and disciplining emergency support**

International cooperation on trade policies can help recover after shocks

- The WTO can contribute to accelerating economic recovery through **improved market access and greater diversification**.
- The WTO and more generally the multilateral, plurilateral and regional **normative set-up** which helps coping with shocks equally helps in the case of recovery
- The WTO can help governments **enhance digital infrastructure**
- The WTO can help **enhance trade capacity** which can be key to ensuring that trade opportunities materialize in developing countries and LDCs
 - Initiatives such as Aid-for-trade, EIF, or the STDF
 - Green recovery: as part of a broad and overarching sustainability objective, efforts are being made to promote dialogue and information-sharing at the WTO on issues where trade and environment policies intersect



- Trade barriers reduction
- Streamlined customs procedures
- Policy transparency and predictability
- Capacity building
- Collaboration with other international and regional organizations



- Enhancing transparency mechanisms
- Clarifying appropriate use of export restrictions on critical products
- Greater coordination of public procurement policies for critical goods and services
- Advancing work e-commerce, MSMEs and women's economic empowerment
- Strengthening existing cooperation with international and regional cooperation

WTR21

More information...



https://www.wto.org/english/res_e/publications_e/wtr21_e.htm