



INTERNATIONAL TRADE DEVELOPMENTS DURING THE COVID-19 PANDEMIC

Highlights from the OECD Trade and Agriculture
Directorate's work

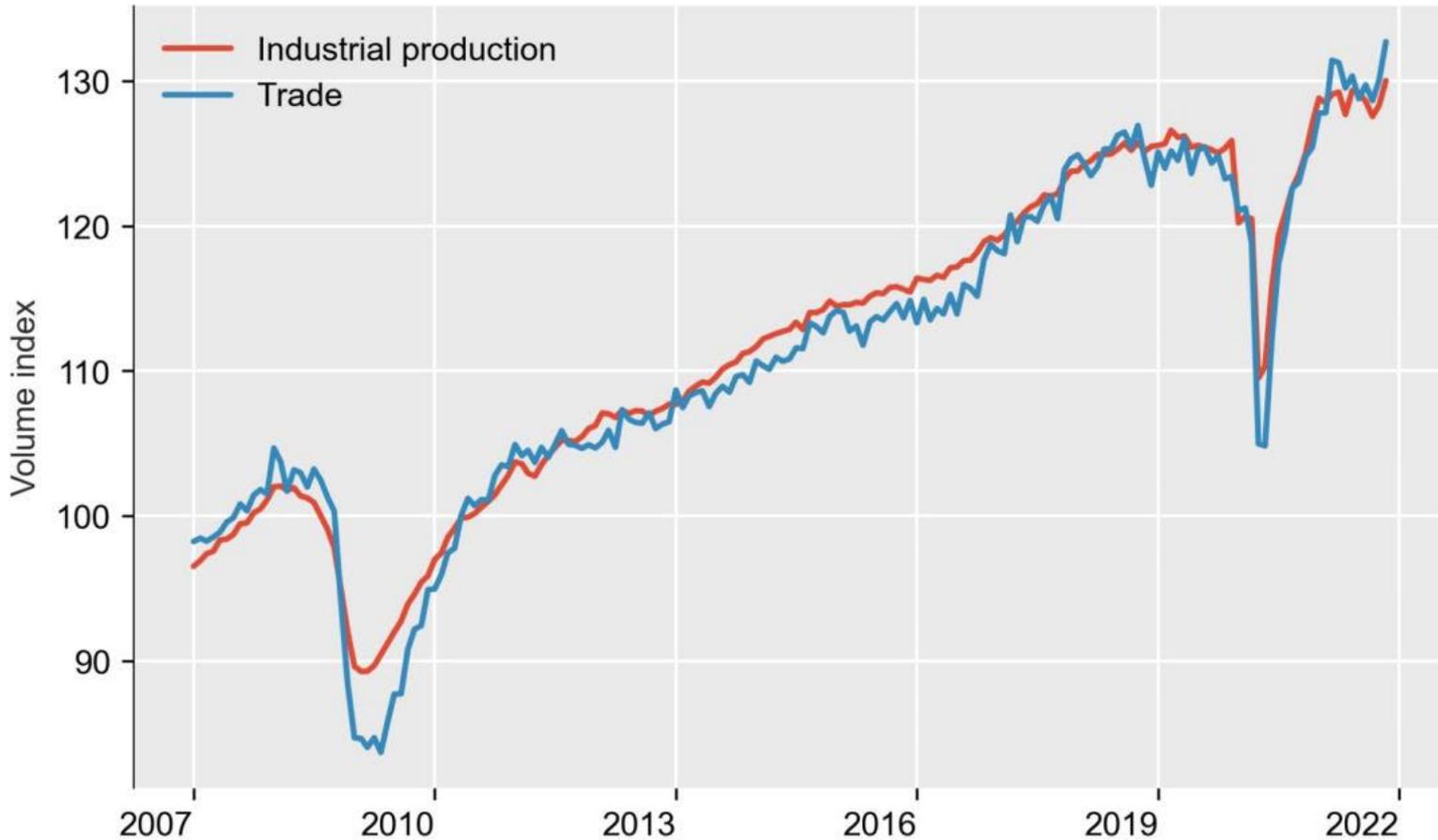
Przemyslaw Kowalski, OECD Trade and Agriculture
Directorate

OECD Steel Committee,
29-31 March 2022 – Virtual Meeting



International trade plunged in 2020 and recovered sharply in 2021

Volume of trade and industrial production



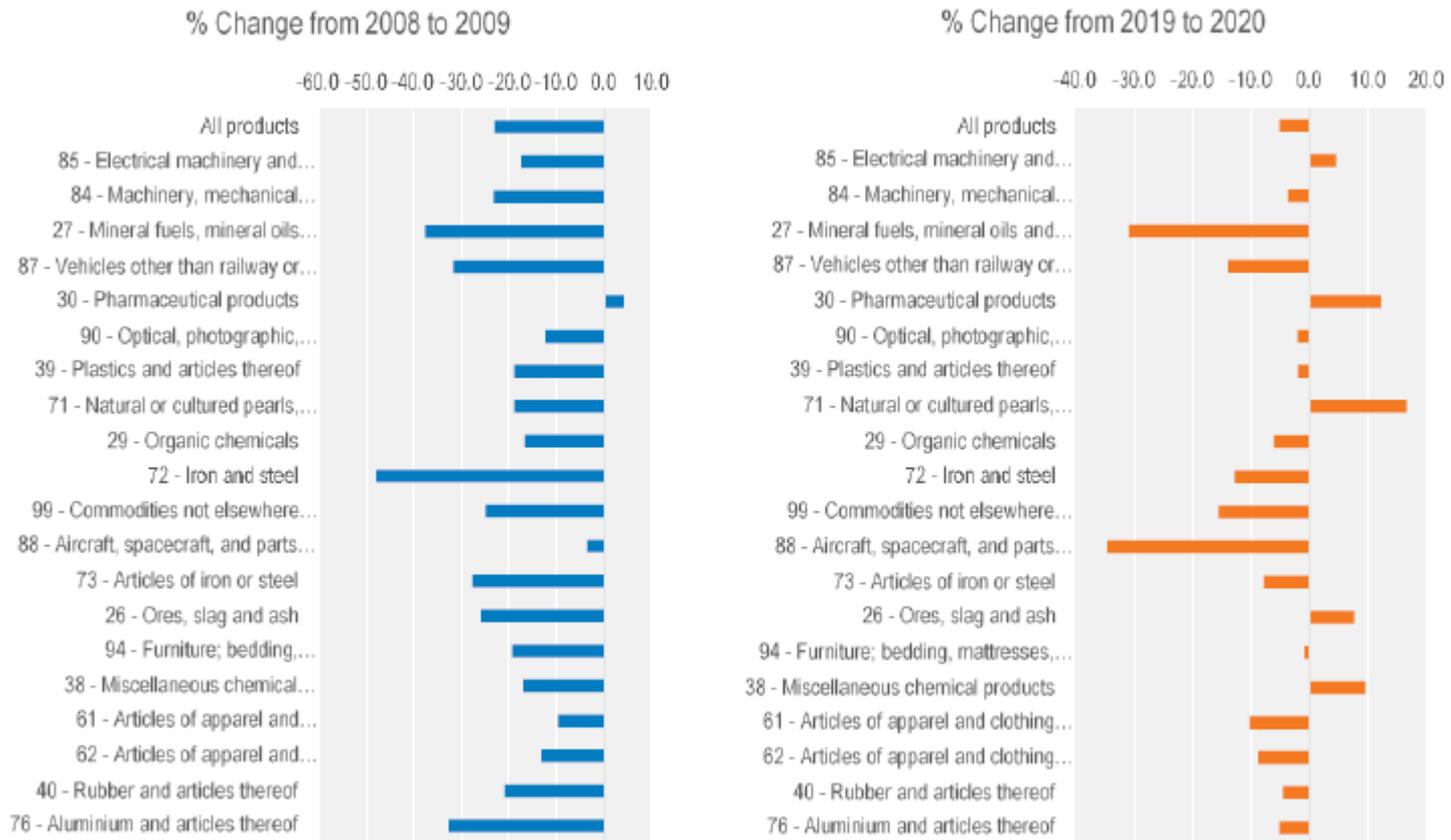
Note: Seasonally adjusted (2010=100)

Source: OECD calculations based on CPB World Trade Monitor.



The changes were highly heterogeneous

Changes in trade of 20 most traded products

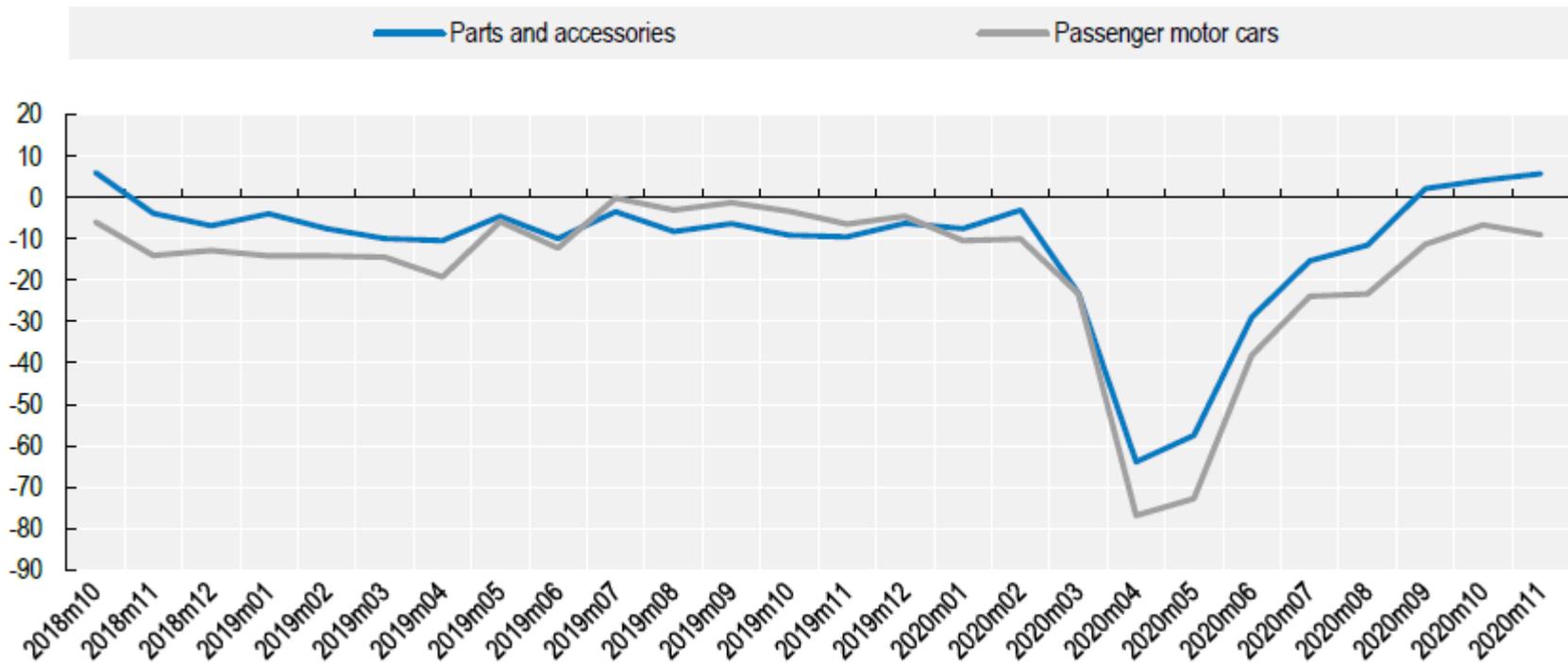


Note: The top-20 traded products ranking was established based on the value of trade (exports + imports) in 2019 exports. The numbers in product descriptions are abbreviations of 2-digit Harmonised System codes of product classification. Source: OECD calculations based on ITC Trade Map data.



Some major supply chains showed clear signs of resilience

Exports of passenger motor cars and car parts and accessories (y-o-y growth rates)

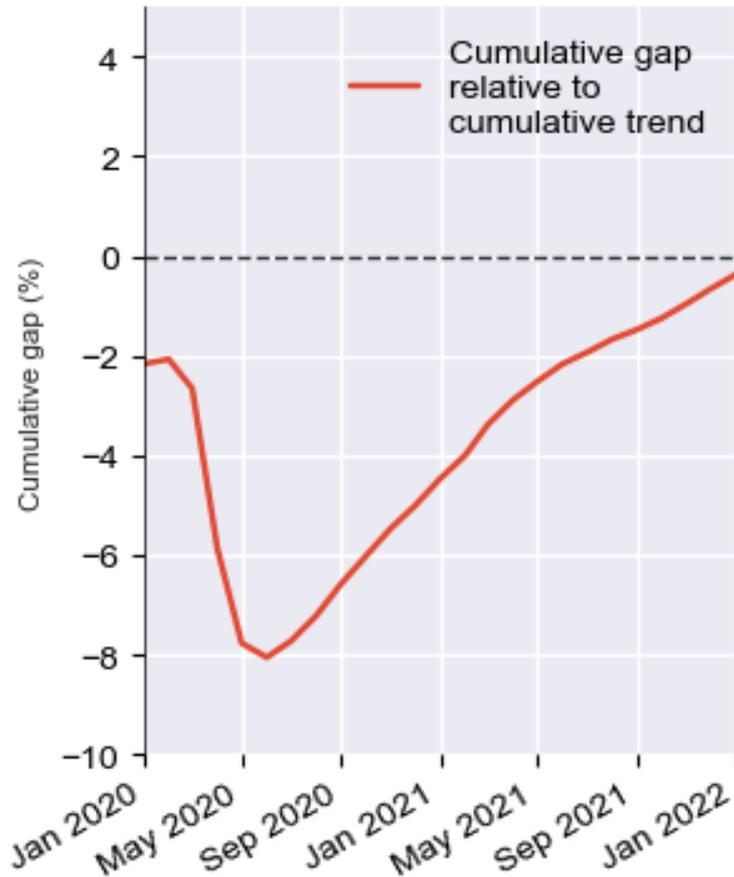
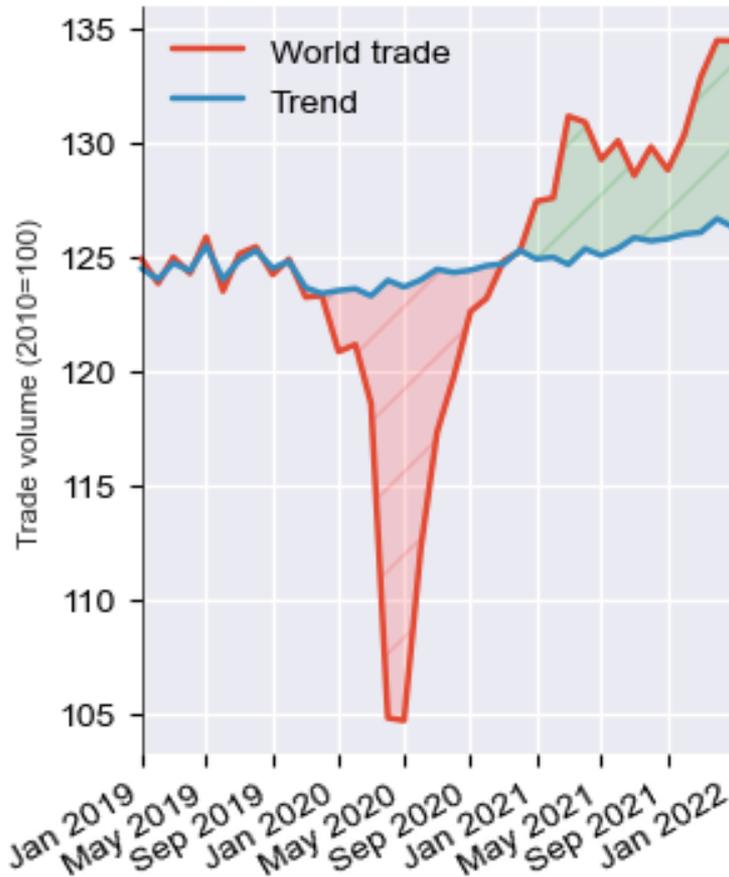


Source: OECD calculations based on ITC Trade Map data.



By end 2021 not all losses from the earlier steep declines were recuperated

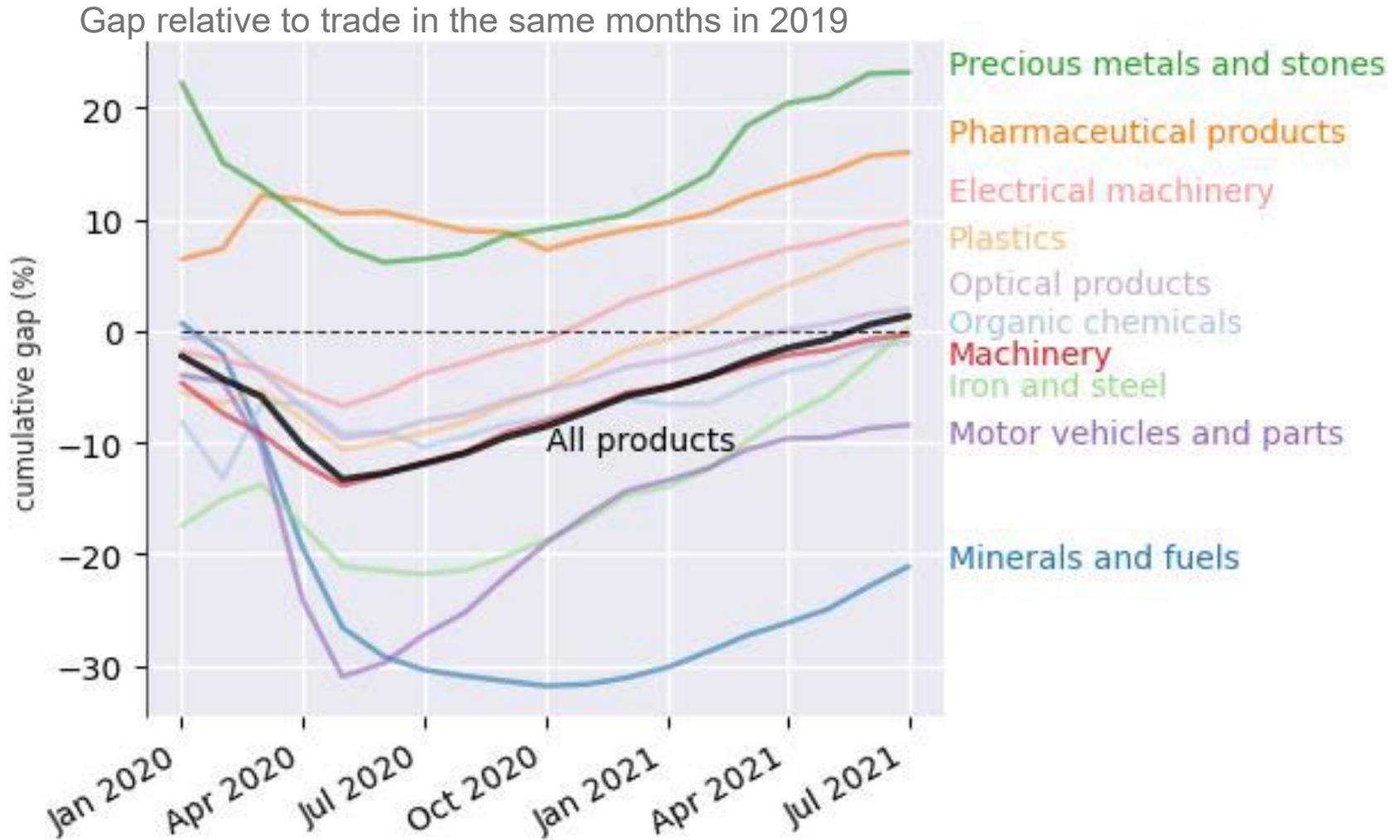
Trade gap relative to trend



Source: OECD calculations based on CPB World Trade Monitor.

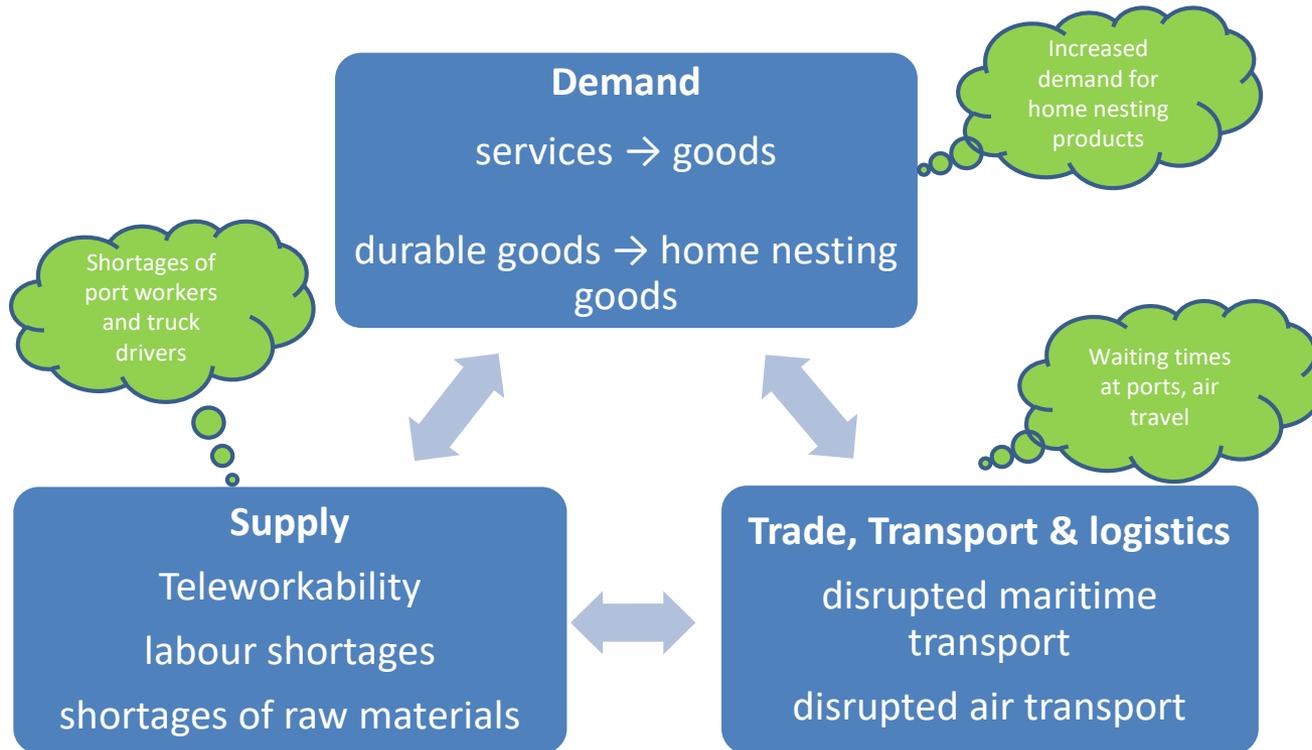


By end 2021 gaps have not closed for all products





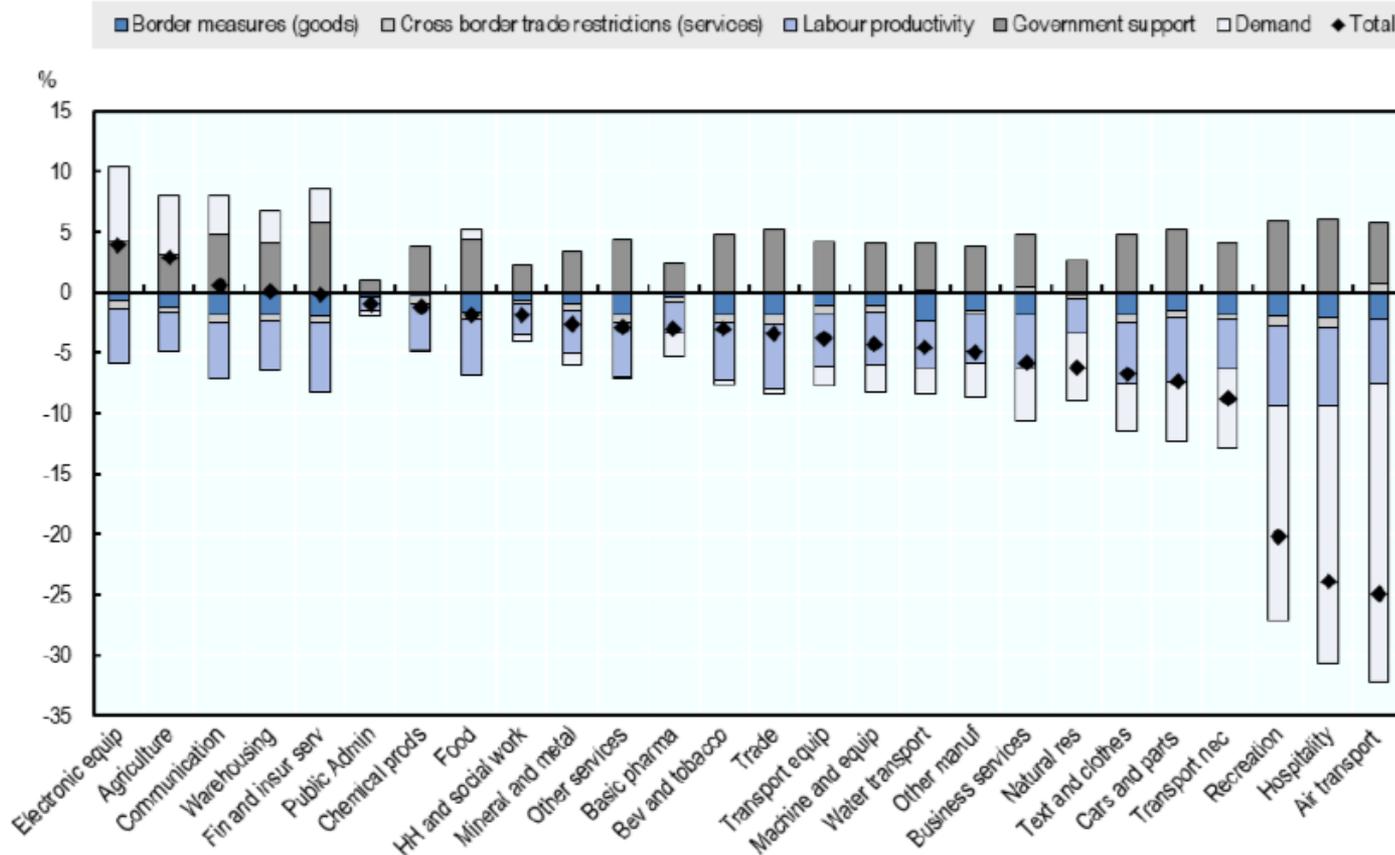
Causes were complex and easy to be confused with effects





Do COVID-19 events fit into the world of equilibrating markets?

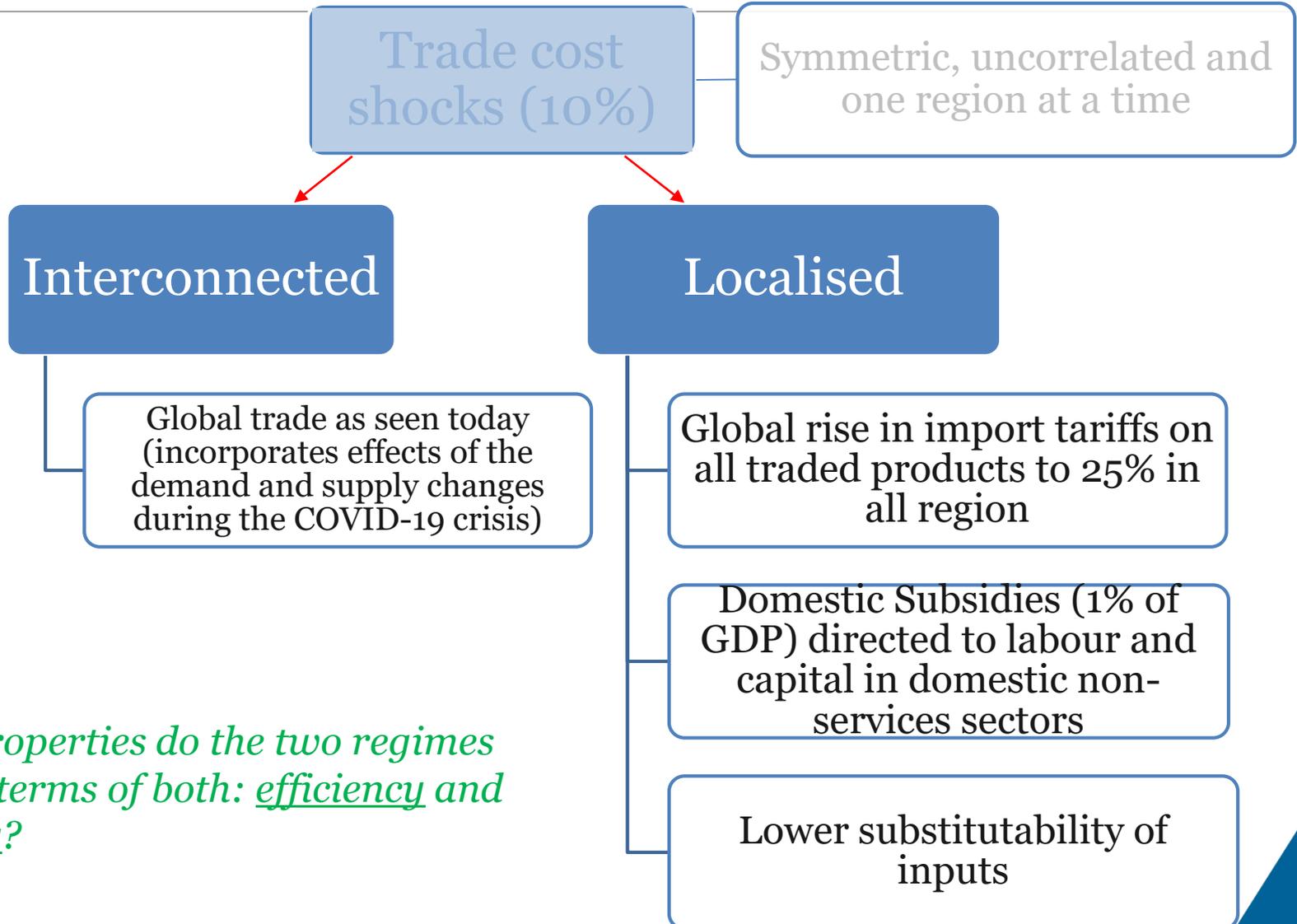
Change in global production by sector and driving factor in OECD's Metro model simulation



SOURCE: OECD METRO Model



Can transmission of shocks in GVCs be reduced with localisation? A simulation



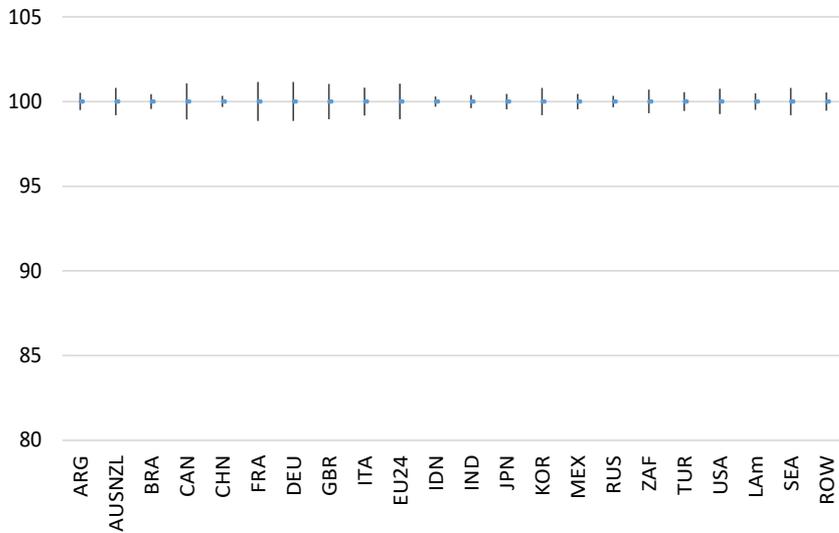
What properties do the two regimes have in terms of both: efficiency and stability?



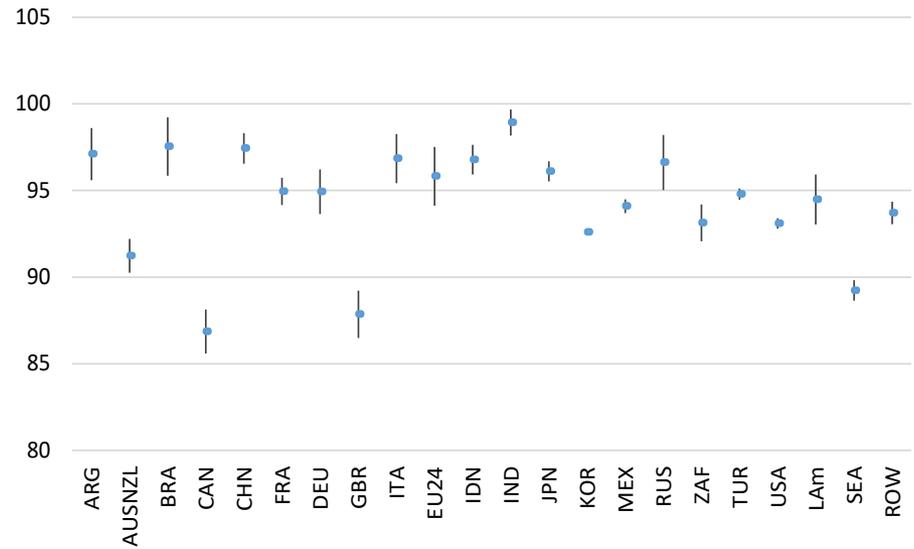
Can transmission of shocks in GVCs be efficiently reduced with localisation?

In the localised regime, shocks result in lower levels and lower stability of real GDP for most countries and sectors

Panel A: interconnected regime



Panel B: localised regime



Note: All changes in variables are relative to the level of the interconnected regime base scenario which is set to equal 100. Blue dots show the base in the given regime relative to the interconnected base, and whiskers show average deviations for negative and positive trade cost shocks. Source: OECD METRO database and simulations.



What do 2020-21 developments tell us about possible longer-term adjustments?

Big shifts and uncertainty

- large trade volume and value shifts (masked additionally by heterogeneity)
- unprecedented spikes and troughs across products and sources and destinations = high uncertainty and adjustment costs
- might not prove permanent but consumers, firms, governments will have learned from 2020 and will adjust (risk mitigation strategies)



TAD's on-going work on implications of shocks and uncertainty for trade

- Monitoring of trade developments at detailed level, key industries and supply chains
- Causes and effects (supply, demand, trade and transport frictions)?
- Long term implications for the global economy, structure of international trade and resilience?
- Role of global value chains in transmitting and insulating from economic shocks?
- Role for open markets and policy intervention in mitigating the impact of shocks and improving resilience?



TAD's selected work on trade resilience during 2020-21

- [OECD's interactive portal on Resilient Supply Chains](#)
- [Getting goods across borders in times of COVID-19](#)
- [COVID-19, international mobility and trade in services: The road to recovery](#)
- [Using trade to fight COVID-19: Manufacturing and distributing vaccines](#)
- [COVID-19 and global value chains: Policy options to build more resilient production networks](#)
- [Global value chains: Efficiency and risks in the context of COVID-19](#)
- [The impact of COVID-19 on directions and structure of international trade](#)
- [International trade during the COVID-19 pandemic: Big shifts and uncertainty](#)
- [Understanding structural effects of COVID-19 on the global economy: first steps](#)





Thank you for your attention!