COVID-19 Crisis: Implications for Trade and Investment

Report to the Trade and Investment Working Group
June 2020

Summary of Findings

Economic effects of the crisis on trade

Immediate Trade Challenges

COVID-19 And Investment Trends
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Thinking Beyond The Immediate
REPORT TO THE TIWG ON COVID-19 CRISIS: IMPLICATIONS FOR TRADE AND INVESTMENT
IMF, ITC, OECD, UNCTAD, WB, AND WTO

A. SUMMARY OF FINDINGS

The COVID-19 pandemic has not only sparked an unprecedented global health crisis. It has sparked an unprecedented global economic, trade and investment crisis as well. Trade has been hit by simultaneous supply, demand, and trade cost shocks, resulting in the sharpest and deepest trade contraction in a generation. Foreign direct investment (FDI) flows are also slowing dramatically.

World merchandise trade could fall by 12% to 32% in 2020. While this is largely a reflection, and not a cause, of the underlying economic contraction, rising trade costs — from transport, logistics and supply chain disruptions, as well as trade restrictions — are estimated to account for more than a third of the decline in world trade. Cross-border FDI flows are also projected to plunge by 30% to 40% in 2020-2021, with a drop by 30% under the most optimistic scenario. Because of the integrated nature of trade and investment, especially in global supply chains, declining FDI could have knock-on effects on trade, and vice versa.

The trade and investment impact will depend mainly on how fast the pandemic is brought under control. While the 2008-09 financial crisis was an economic problem with economic solutions, the current crisis is a health emergency, the response to which has led to unavoidable economic costs. Measures to slow the spread of the virus – lockdowns, widespread closures, and social distancing – have also massively disrupted economies. The pandemic is posing challenges in keeping trade flowing in the face of transport and logistics disruptions, and new demands on border processes and trade facilitation.

While the crisis imposes many unavoidable costs, governments can limit avoidable ones. This could involve facilitating trade, removing tariffs and streamlining non-tariff measures on medical supplies, and avoiding unnecessary export restrictions. Transparency is critical to inform national policy choices and international cooperation, in particular for food trade. Measures to sustain trade flows – together with fiscal and social policies aimed at supporting industries and employment - would also help to boost FDI. Governments also need to think beyond the immediate crisis to ensure that the policies they are putting in place now to limit the economic damage are designed in ways that do not contribute to ongoing market distortions and will help, not hinder, the eventual recovery.

The current crisis is also an opportunity for countries to consider how they can be better prepared in the future. While the immediate priority is to keep trade and investment flowing – to provide the critical resources countries require to fight the pandemic and save lives and livelihoods – countries also need to begin planning for the recovery, and to focus on how to ensure more resilient and sustainable global trade and investment systems.

Global co-operation is critical to solving a health and economic crisis of global proportions. From disease control, to financial stability, to international trade, no country can solve this crisis on its own. Keeping the global economy open is in everyone’s interest, not just to ensure the supply of critical goods and services, but to avoid introducing new shocks on top of those the world economy is already enduring. Conversely, recourse to protectionism – or attempting to reverse integration - would only make essential supplies scarcer and leave all economies worse off.

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1 This report was prepared by staff from the participating organizations in response to a request of Trade Ministers in their declaration of March 30, 2020 and coordinated with the Kingdom of Saudi Arabia’s G20 Presidency Trade Team. The materials presented in the report were produced by the staff of the participating organizations and do not necessarily reflect the official views of the participating organisations, or of their members. Materials may be included in the report that do not necessarily reflect a consensus view of these staff members, as the objective is to provide a range of views that reflect the various expertise and capabilities at the different institutions. The report is without prejudice to the positions of G20 members.

2 WTO Trade Forecast, April 8, 2020 and IMF World Economic Outlook, April 14, 2020.


B. ECONOMIC EFFECTS OF THE CRISIS ON TRADE

The COVID-19 pandemic is having large economic and trade effects – resulting from simultaneous supply, demand and trade cost shocks. The COVID-19 pandemic – coupled with government measures to contain it – has severely disrupted economies. Labour supply shortages, factory closures, and supply disruptions have reduced production. Layoffs, income losses, and increased uncertainty are leading consumers and firms to reduce or defer spending and investment decisions. Meanwhile, declining revenues and rising unemployment has increased the risk of business and household defaults, straining the financial system. While declining trade is largely a reflection, not a cause, of this underlying economic contraction, rising trade costs - from transport, logistics and supply chain disruptions, as well as trade restrictions – act as additional brakes on the global economy.

Identifying these effects is a complex undertaking. Three constraints are worth highlighting:

- **Trade data significantly lags the crisis.** Global trade data is only available until February 2020 and does not reveal the extent of the current crisis.\(^5\)
- **Economic policies are driven by health parameters.** The timing of effective treatments, or test-track-and-trace capacity, along with progress in developing a vaccine, will all determine the duration and nature of containment restrictions and exit strategies.
- **The outlook is characterized by a high degree of uncertainty.** Exit strategies look set to be gradual, even within countries, and both their timing and the containment measures to be lifted first remain uncertain as second-wave infections are possible. The policy response of governments will also create feedback loops that will shape observed outcomes and affect the degree of uncertainty in the environment.

1. What are the forecasted impacts on global growth?

Global GDP is forecast to contract by 2.5% to 9% in 2020 by different IOs, with a significant partial rebound in 2021. The latest WEO forecast of the IMF expects global growth to be ~3% in 2020, the worst since the great depression, but subject to significant downside risks. Thus, this forecast is highly uncertain, and the actual outcome will depend on the length of the pandemic, the shape of the recovery, and the extent of government and central bank support.\(^6\) Countries heavily reliant on revenue from natural resources, such as oil, may also be at higher risk because of falling global demand for commodities.\(^7\) Other estimates suggest that each additional month of necessary containment measures translates into a decline in annual GDP growth of up to 2 percentage points.\(^8\)

It is expected that fiscal policy will cushion at least some of the decline. The announced fiscal packages in individual G20 economies so far amount to approximately 6% of their GDP.\(^9\) These actions have supported confidence, contributed to limiting the amplification of the shock, and ensured that the economy is better placed to recover. This year’s IMF *External Sector Report* will assess the impact of the crisis on the current account positions of G20 and other countries, and discuss recent exchange rate developments.

Growing uncertainty among consumers and firms could affect the size of the demand and supply shock, as expenditures on non-essential goods and services are postponed or forgone. Households may reconsider major purchases, such as cars or houses, while firms may delay or cancel new investments. Lower levels of investment could also have a negative impact on long-run productivity growth and innovation.

\(^5\) Data for February 2020 suggests that, compared to February 2019, exports fell by 17.2% in China, 3.1% in the EU and grew by 0.4% in the US. Imports fell by 4.0% in China, 3.7% in the EU and 4.1% in the US. Source: Trade data monitor TDM for United States and China, WTO monthly statistics for European Union (excluding the United Kingdom).

\(^6\) IMF World Economic Outlook, April 14, 2020.

\(^7\) This is compounded by rising external debt levels in many natural-resource dependent developing economies and potentially exacerbated by the recent steep rise in capital outflows from emerging markets and attendant currency swings.


2. What are the forecasted impacts on trade?

The fall in world merchandise trade is forecast to be larger than the decline in GDP, ranging from 12% to 32%. Almost all regions are expected to suffer double-digit declines in trade volumes, with exports from North America and Asia hit hardest. The falls will also likely be steeper in sectors with complex value chains, particularly electronics and automotive products.

Services trade could be the most affected by the pandemic, although the outcomes will be more mixed. While many service sectors will be harmed by transport and travel restrictions, others will benefit from the uptake of digital alternatives to face-to-face transactions.

The trade impact will also depend on the trade policy environment. If trade distorting and trade restricting measures proliferate beyond the immediate measures necessary to contain the pandemic, the outlook will deteriorate further.

The rise in trade costs is responsible for up to a third of the decline in global trade. These relate to impacts on logistics networks, from customs and border processes to transport and associated logistics-related activities. Moreover, trade costs multiply along the supply chain as production stages take place in various countries.

Disruptions to supply chains could have a marked negative impact on industrial exports from G20 countries, with regions with higher value chain integration experiencing more severe impacts. Similarly, those sectors where production is more fragmented across countries could experience more acute disruptions (see Box 1).

3. Which sectors will be most affected?

Services sectors have been heavily affected by social distancing measures and border restrictions. This is particularly the case for services that rely on physical movement and proximity, such as tourism, retail, or transport services. Indeed, border closures implemented in response to COVID-19 alone could see services trade costs increase by an average of 12% across sectors and countries (see Box 1).

Tourism is among the most negatively impacted service sectors because of the combination of travel and social distancing restrictions. It is estimated that international tourism receipts could decline by 20% to 30% in 2020 compared to 2019, a reduction four to six times larger than that experienced during the 2009 global financial crisis. Tourism represents a disproportionately large source of income for developing countries, including many least-developed countries.

Border restrictions will also affect trade in many B2B services. Despite the potential for digital delivery of B2B services, many businesspersons and professionals rely on their physical presence abroad to deliver services. Moreover, the installation of foreign machinery and equipment often requires travel of specialized workers – so border restrictions also impede trade in these goods and related services.

At the same time, some modern services that rely on digital supply are likely to be more resilient or may even experience an increase in demand. Services such as telecommunication, computer services, digital entertainment and professional services can be traded across borders without face-to-face interaction and are likely to be less adversely affected, or even expand in the short run due to social distancing. Online retail services, at least for certain types of goods, have expanded in many markets, though cross-border operations depend on ease of transporting goods across borders.
Restrictions on the movement of people across international borders, implemented on health and safety grounds in response to the COVID-19 outbreak, have implications for services exporters. Services trade costs are estimated to increase by an average of 12% across sectors and countries.

There is a large variability in the increase in services-trade costs across sectors, reflecting differences in the stringency of initial policy responses and the cross-sectoral differences in the importance of business travel and labour mobility to services trade:

- Trade costs for professional services are estimated to increase by around 9%-13%, and vary across professions depending on the pre-existing degree of openness. Trade costs in logistics services could jump by slightly more than 10%.
- Trade costs could rise by 6% to 9% across transport modes, reflecting the fact that transport is more capital intensive than other service sectors.
- The regulatory environment for commercial banking and insurance is particularly sensitive to disruption.
- Remote connection and teleworking could help to mitigate somewhat increases in trade costs, especially for professional services and insurance, but the extent of this is difficult to assess.

Countries are necessarily focused on ensuring the health and economic security of their people. Looking beyond the immediate, steps to reduce services trade costs will promote a recovery that is robust, widespread and sustainable. Easing of COVID-19-related international travel restrictions, when health and safety considerations permit, will ensure that trade in services, which is highly intertwined with manufacturing in global value chains, can support the recovery.

Source: OECD (forthcoming)

Beyond services, industries relying on global value chains will be negatively impacted by transport restrictions, slowdowns and bottlenecks, given their interdependent and geographically dispersed production networks (Box 2). Those industries dependent on established firm-to-firm relationships – such as automakers – could suffer more, as they cannot easily or rapidly find substitute suppliers or buyers. Likewise, industries optimized for 'just-in-time' production – such as electronics – could feel the effects of supply disruptions more acutely.
Supply side disruptions in three largest GVC hubs (EU+UK, China and the US) due to the COVID-19 pandemic will place downward pressure on G20 industrial exports. In a scenario with a two-month complete shutdown of factories in G3 countries, estimates from an input-output mode suggest that G20 economies could experience a drop in exports of industrial intermediates of up to USD195 billion in 2020, or 2.5% of the total industrial exports (not including exports foregone for other reasons, such as new trade restrictions or reduced production).

Regions with higher value chain integration experience stronger impacts. The shutdown in the EU+UK is seen as exerting the strongest impacts on European countries themselves, followed by China and the US. The shutdown in China will be likely be felt most strongly in the EU+UK, Japan and the Republic of Korea, followed by the US. The decrease in imports of intermediate products by the US is expected to most strongly impact the EU+UK, China, Canada and Mexico.

Likewise, sectors whose production process is more highly fragmented across countries will likely experience stronger disruptions. In the G20, the most affected sectors in absolute terms (i.e. the dollar value of foregone exports of intermediates) are machinery, plastics and rubber and chemicals. In relative terms (i.e. the share of affected exports in total exports), other sectors are also affected – among which a 19% contraction of exports of pearls and semi-precious stones and a 9% drop in exports of mineral products is likely to result from supply chain disruptions within the G3.

**Figure 1: Foregone intermediate exports from G20 members to three largest GVC hubs in 2020, by sector and destination**

Source: ITC
Disruptions of air freight will negatively impact trade in electrical components and perishable goods in particular – especially those goods that are normally shipped in the belly-hold of passenger aircraft, which have seen a significant decline (see Figure 2 provided by IATA).

Figure 2: Worldwide flights were down 80% by early April 2020

Source: IATA Economics analysis based on data provided under license by FlightRader 24. All rights reserved.

MSMEs will also be hit hard by a fall in demand, supply chain disruption, higher trade costs, and policy uncertainty. MSMEs typically hold small inventories, find it harder to source from new suppliers, have less access to liquidity, and have more difficulty absorbing price increases. This means that shortages can impact MSMEs faster and harder than larger firms. MSMEs also have lower capacity to cope with higher trade costs, especially those stemming from more stringent regulatory requirements, and generally find it harder to respond to rapid policy changes.

4. Looking ahead

The economic and trade impact will largely depend on how fast the pandemic is brought under control. But it will also depend on how quickly supply constraints are lifted, how rapidly consumer demand returns, how quickly investment picks up, how fast workers are re-employed, and how resilient today’s open global economy proves to current shocks. If the pandemic is brought under control soon and restrictions are promptly lifted, output and trade could rebound nearly to their pre-pandemic trajectory. But if the pandemic is protracted and restrictions stay in place, output and trade could remain below the pre-COVID trendline.

C. IMMEDIATE TRADE CHALLENGES

1. Keeping the business of trade going - transport, logistics and trade facilitation

A significant challenge in the current environment is disruption to the services that allow trade to continue to function – from logistics and transport, to customs and border procedures. Travel restrictions, border closures and social distancing are increasing the costs of trade and resulting in delays. Trade costs tend to multiply along the supply chain as production stages take place in various countries. Each country can be impacted differently by COVID-19 and may have implemented more or less restrictive measures.

10 For example, in a survey of nearly 6,000 US SMEs in late March, Bartik et al (2020) found that 43% of businesses were temporarily closed and a median firm only had less than one month of cash in hand.
Indicators of transport and cargo show these strains:

- **Shipping:** Major ports are reporting declines in throughput, with year-on-year drops in cargo handled of between 10% and 20% in February alone. Moreover, over 50 countries have changed port protocols, ranging from port closure and quarantine measures to additional documentation requirements and physical examinations. Many countries have imposed 14-day quarantines on vessels and crew coming from - or having called at - exposed countries, causing delays in lead-times for maritime cargo transport. Cargo ports are under storage pressure from customers trying to leave goods in storage, while shipping lines are trying to delay the arrival of non-urgent goods with longer routes. Additionally, reduced staffing due to the virus poses challenges to the continuity of critical services, such as terminal operations and unloading of ships, notably in less automated environments.

- **Air freight:** Air cargo faces a supply problem from a sharp drop in available cargo space on passenger aircraft (which can account for up to 60% of air freight capacity on many important shipping routes), leading to higher costs and longer lag times for air freight, despite drops in fuel costs. As of April 6, global air cargo capacity was 35% lower than a year ago. With a 60% reduction, the hardest hit routes are those linking Europe to Africa and to South America. Air freight prices for other high-volume routes have risen by 30% to 60% since October 2019. Urgent demand for medical equipment to fight the coronavirus has also resulted in large increases in the cost of chartering aircraft.

- **Road cargo transport** faces delays related to border checks, border closures and reduced customs staffing. It also must cope with shortages of drivers, and with restrictions that prevent additional drivers in the same vehicle (limiting the distances served as drivers are unable to change shifts). In March 2020, European road cargo capacity was 8.2% lower than a year earlier.13

The disruption may be significantly higher in developing economies than in high-income economies. Logistics is more labour-intensive and less automated in developing countries, especially in Africa and South Asia. Air freight in developing countries, especially those with smaller domestic markets, depends mostly on passenger planes. Hence certain countries may see a loss of trade connectivity as air passenger traffic is curtailed by travel restrictions, especially small island economies dependent on tourism.

Customs and other border agencies also face the challenge of keeping trade flowing while preventing the spread of COVID-19. In containing the pandemic, many governments have put in place measures such as channelling traffic through fewer border crossings; conducting at-the-border health checks; or, in some cases, reintroducing border controls that had previously been removed. These measures place additional demands on border agencies that are also wrestling with how to efficiently carry out their functions while implementing containment measures such as social distancing. Early information from interviews with businesses, across a range of sectors, indicates that the speed and facility with which shipments are being cleared has already been negatively affected by the COVID-19 crisis.

Limits on the mobility of people and lockdowns may be affecting a variety of trade processes, from physical inspections of goods for sanitary and phytosanitary reasons, to testing and certification requirements and changes in how anti-dumping investigations are conducted.

That said, a number of governments are taking trade facilitation measures to improve the flow of goods across borders. These include faster border clearance procedures, such as "green lanes" to expedite cargo processing and measures to streamline information and documentation requirements, such as extended deadlines and the digitization of processes.14 The smooth operation of logistics chains in the midst of the COVID-19 outbreak depends on reconciling the fast and efficient movement of goods and services with increased control measures, temporary disruption to staffing, and restrictions on human contact.

12 https://www.aircargonews.net/airlines/air-cargo-capacity-down-by-35-on-last-year/
13 https://www.transportmarketmonitor.com/
14 The European Union is allowing temporary flexibility for control authorities to use *inter alia* remote communication and electronically submitted documents for checks, in view of the COVID-19 situation.
2. Keeping essential supply chains flowing – medical supplies

The immediate challenge facing countries affected by COVID-19 concerns trade in medical products. As an increasing number of countries face shortages of masks, ventilators, disinfectants, hospital gowns and gloves, there is a critical need to increase the overall global supply of essential medical supplies for combatting COVID-19. Investment is urgently needed to boost production capacity for local, regional and global markets. International trade also plays a crucial role in satisfying these emergency needs.

Trade in medical products represents around 5% of total world trade. The US, Germany and China are the top three importers, accounting for a third of world imports in 2019. Germany and the US are also major exporters. Together with Switzerland they account for a third of global exports. On balance, the US, China and the UK are net importers of medical products. Germany, Ireland and Switzerland are the top net exporters.

Personal protective products represent around 13% of trade in medical products. China, Germany and the US account for 40% of global exports of these products. For face masks alone, China, Germany and the US represent a significant share of the world's exports. The exports of respirators and ventilators are also highly concentrated in a handful of countries, with Singapore, the US, the Netherlands and China accounting for more than half of global exports. Therefore, any disruption in export supply from these economies is bound to have a big impact on the global availability of these products. There is also important global interdependence in COVID-19 goods, with countries being both importers and exporters (see Box 3).

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16 Ibid.
Box 3: Trade interdependencies in COVID-19 goods
No single country can efficiently produce all the goods needed to fight COVID-19. Indeed, while the US, Germany and Japan are the top producers of medical devices, China and Malaysia are most specialised in producing protective garments (Figure 3). This means that there is a strong interdependence in trade in COVID-19 goods. For instance, for every euro of German exports of COVID-19 goods Germany imports €0.7. In the US, for every dollar of COVID-19 imports the US exports USD0.75. A country might be a top producer of one COVID-19 good, but an importer of others.

Figure 3: Top exporters of COVID-19 goods (2018)
Country shares in global exports by good

Source: OECD calculations using WCO list of COVID-19 goods and BACI data. For illustrative purposes only. The products marked with an * belong to broader categories of goods than those captured in the shares meaning that these include other products which might not be essential in the fight against COVID-19.

The largest producers of COVID-19 goods are also those which – to date -- have been most severely hit by the COVID-19 pandemic. These countries are also those that rely most on imports of COVID-19 goods. Against this backdrop there has been a growing number of temporary export restrictions on these goods, but with high interdependence in trade in COVID-19 products, such measures can have wider impacts. Moreover, over the longer term, for health systems, global sourcing can help keep costs down and enable access to more and different varieties of medical products.

Source: OECD

Yet a range of existing – and new – measures apply to trade in medical supplies.

- **Applied most-favoured-nation (MFN) tariffs on some personal protective products remain high.** Protective supplies used in the fight against COVID-19 face an average tariff of 11.5%. This contrasts with the average tariff on all non-agricultural products of 7.6%.\(^\text{17}\)

- **Faced with a health emergency, many governments have imposed export restrictions on essential medical products.** More than 70 countries\(^\text{18}\) currently have some form of export restriction in place on medical supplies, including personal protective equipment, pharmaceuticals and medical devices (including ventilators). These include special licensing requirements, quotas or straight bans on the export of certain products. At the same time, some countries limit the export of goods through domestic government interventions, such as the guaranteed purchase of products or the requisitioning of goods.

- **Export restrictions are also expected to have an impact on world prices** (see Figure 4). Recent estimates show that the impact of current export restrictions could

\(^{17}\) Ibid.
\(^{18}\) ITC Market Access Map [https://www.macmap.org/covid19](https://www.macmap.org/covid19).
increase the price of medical masks by 20.5%. If restrictions escalate, they would increase prices of COVID-19 relevant medical products by 23% on average, with peaks of over 40% for protective equipment, such as aprons, goggles and masks.

**Figure 4: Impact of export restrictions on prices (current policies and escalation)**

![Figure 4: Impact of export restrictions on prices](image)

Source: Espitia, Rocha, Ruta (2020), "Database on COVID-19 trade flows and policies".

Note: Total imports calculated as the average for 2017, 2018 and 2019 (in case data are available). Direct price effect of export bans calculated using trade elasticities from Fontagné, Guimbar and Orefice (2019) and assuming a total reduction on export quantities for each trading partner. Direct price effect \( ij = \frac{\text{Var} Q_{ij}}{\text{import price elasticity}_{ij}} \). Where i is the importer and j is the exporter.

Fifty-eight economies\(^{19}\) have liberalized imports, mostly to improve access to essential products (personal protective equipment, medicines and medical devices), but in some cases also to lower the fiscal burden on producers and consumers. Measures so far have included tariff reductions, exemptions and extensions of payment deadlines; easing of licensing and authorization rules; and trade facilitation measures (see above). A group of countries\(^{20}\) have also jointly committed to keeping supply chains open and to removing any existing trade restrictive measures on essential goods, especially medical supplies.

Export restrictions on vital medical supplies and equipment can put importers of such products – many of which are the poorest developing countries – and their healthcare delivery systems at immediate risk due to the resulting scarcity and higher prices, especially if domestic production capacity is limited or non-existent. Export restrictions also disincentivize producers from investing in expanding production at home and limit the motivation to retool in order to deliver essential medical goods in countries that may not be best able to do so. While the short-run impact is borne by countries dependent on global markets for supply, in the longer run, export restrictions also hurt exporters who may lose their foreign markets – and can lead to wider tit-for-tat trade conflicts.

Alternatives could involve short-term efforts to increase global supply capacity and facilitate trade in medical supplies, along with longer-term efforts to diversify supply chain sources and to build strategic stocks (see Box 4 for the case of surgical masks).

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\(^{19}\) Ibid.

\(^{20}\) Australia, Brunei, Canada, Chile, Mynamar, New Zealand, Singapore and Uruguay.
Box 4: Surgical Masks

China was the main manufacturer of surgical masks at the onset of the crisis, with a production of 20 million masks per day. Yet this was not enough to meet demand, which was estimated at 240 million masks per day to equip health, manufacturing and transport workers, more than 10 times its production capacity. China has imported 2 billion masks during the crisis.

In China, there was no regulation prohibiting exports but priority was given to the domestic market in January and February, with exports resuming in March. However, China increased production from 20 million masks per day at the beginning of January to 116 million per day at the end of February and as many as 200 million per day in April. China is now exporting masks to other countries.

Since no country can meet alone the increase in the demand for masks, trade is essential. Export bans are harmful for countries without production capacity, but can also backfire when countries holding masks need more or need to import other essential medical supplies (or inputs to manufacture masks). Export licenses or tariffs can delay trade in addition to increasing prices.

That said, freer trade and trade facilitation are not enough to solve the current shortage. A substantial increase in supply is required, involving government plans and incentives for firms to convert existing assembly lines and create additional capacity. Certification procedures should also be expedited to allow new products to be traded as soon as possible.

Looking ahead, it would be excessively costly for every country to develop a production capacity matching crisis demand and encompassing the whole value chain. An alternative, more effective and cost-efficient solution may involve the combination of strategic stocks; upstream agreements with companies for rapid conversion of assembly lines during crises (with possible government incentives and coordination); and supportive international trade measures.

Source: OECD (forthcoming); data on production and imports of masks based on information released by the Government of China.

3. Keeping essential supply chains flowing – food

As opposed to medical supplies, the global supply of food is currently adequate. Except for isolated cases, production remains at or above normal levels and global stocks are high. Still, risks to food security remain in many parts of the world, and the potential exists for specific food supply chains to be severely disrupted. Moreover, even while there is enough food available globally, there are more than 800 million undernourished people in the world, mostly in economies with less capacity to cope with the COVID-19 pandemic. All this calls for close monitoring for early detection and mitigation.

Key risks and issues to monitor include:

- **Disruptions from transport and logistics:** increased cost and reduced availability of international air-cargo are affecting the export of higher value, perishable food products, including seafood, fruit and vegetables. Meanwhile, unforeseen port closures and shipping crew quarantines are decreasing the reliability of shipments. In some cases, decreased production volumes and slower cross-border movements mean that inputs for farmers, from pesticides to seeds, are becoming less available and more expensive.

- **Labour shortages:** COVID-19 containment measures are contributing to farm labour shortages, particularly for cross-border seasonal labour for planting and harvesting, as well as to the availability of skilled personnel, domestically, to undertake key food safety and certification checks. As the pandemic spreads, some regions and/or certain crops where food production and harvesting are more labour-intensive could be hit hard.

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21 AMIS Market Monitor No, 77, April 2020.
22 A number of countries are exploring special arrangements for visas for farm labour; the U.S. debuted a new streamlined H-2A visa process for farm labour from Mexico on April 3 and designated existing farmworkers, with or without proper legal status, as essential workers.
• **Biosecurity**: Biosecurity arrangements, underpinned by the latest available science, need to be in place to protect workers, and processes, throughout the food supply chain. Yet new requirements may also lead to delays and increase the cost of shipments, affecting perishable products in particular, and raising food processing and distribution costs. New safety measures in response to COVID-19 should be science-based, transparent, and non-discriminatory.

• **Fisheries**: Fish and seafood are a major source of protein and essential nutrients, especially in Southeast Asia and Sub-Saharan Africa, and an important source of livelihoods. Measures to contain COVID-19 are affecting the composition of food demand and disrupting the supply of seafood, within and across borders. The collapse in consumption of food away from home is changing the composition of food demand in advanced economies, towards ready-to-eat foods that can be stored and kept away from higher value products and fresh fish and seafood products in particular. Seafood is also particularly affected by containment measures that increase trade time and costs, as well as supply-side difficulties in ensuring safe working environments on fishing vessels. As COVID-19 becomes more prevalent in developing economies, the impact on households reliant on fisheries for their livelihoods is expected to be significant.

• **Livelihoods and food security for countries and farmers heavily reliant on commodity exports** are at risk if disruptions in global trade affect exports or if demand for high-income elasticity commodities is impacted by declining economic activity in importing countries. These impacts will significantly reduce incomes, creating problems in accessing food even in a situation of plenty.

Many of the above risks are a result of measures necessary to contain COVID-19. However, there are other, avoidable risks related to policy choices – chiefly, export restrictions. While COVID-19 has not affected the supply of staple grains, a growing number of countries are implementing export restrictions on agro-food products, including large exporters, while some countries that rely on imported grains have ramped up purchases.

An important lesson of the food price crisis of 2007-08 is that export restrictions hurt everyone. They may temporarily lower domestic prices and raise availability, but also tend to discourage domestic production, such that any benefit tends to be short-lived. Critically, by diverting supplies from world markets, they put upward pressure on international prices, which harms other countries – in particular those most dependent on international markets for food. Export restrictions also risk undermining confidence in international markets and can precipitate hoarding and panic buying, further accentuating problems in import-dependent countries.

Effectivereponses to COVID-19 require international cooperation. A further lesson from the 2007/08 food price crisis is that transparency and information sharing are important. The Agricultural Market Information System (AMIS), as well as communication with private stakeholders are key in identifying and overcoming bottlenecks in food supply chains in real time. Countries can also benefit from peer learning on policy approaches that are proving effective. In addition to speeding up border procedures, open borders and well-connected domestic markets help to contain supply disruptions and allow food to get to where it is needed. Action is also needed to address the immediate needs of vulnerable populations, in particular in LDCs, by means of emergency food assistance and targeted cash transfers.

4. Helping MSMEs to trade – overcoming obstacles exacerbated by the crisis

23 Several WTO Members notified emergency SPS measures in relation to Covid-19, mostly restrictions on live animals from affected areas.

24 For instance, cut flower producers from Kenya are exporting only 20% of the flowers they normally send daily to European markets. (World Bank)

25 While the focus of this section is on export restrictions introduced in the COVID-19 crisis, global food and agriculture markets remain heavily affected by significant trade-distorting domestic subsidies, high tariffs and non-tariff barriers. The OECD estimates support to agriculture as around USD705 billion per year.

26 The Agricultural Market Information System (AMIS) is an inter-agency platform to enhance food market transparency and policy response for food security, launched in 2011 by the G20 following the global food price hikes of 2007/08 and 2010. Bringing together the principal trading countries and key IOs, AMIS assesses global food supplies (focusing on wheat, maize, rice and soybeans) and provides a platform to coordinate policy action in times of market uncertainty. In 2012, when drought struck Europe and North America, AMIS analysis and discussions helped avoid price volatility by persuading policymakers and market participants to avoid the mistakes that aggravated the price spikes of 2007/08 and 2010/11.
The economic and trade challenges flowing from the pandemic exacerbate many of the existing and well-known obstacles facing MSMEs – including cumbersome border procedures, high administrative costs, and lack of trade financing.

Restoring supply chains and improving trade facilitation is particularly vital for MSMEs. While such improvements help all firms, they benefit smaller firms most because fixed and variable trade costs represented a bigger share of their income. More efficient customs and border procedures also help small firms relatively more than larger ones because they often lack administrative capacity and resources.27

Grants, low-interest and zero-interest loans are the first line of defence for countries seeking to safeguard the short-term liquidity needs of MSMEs. Government-backed credit guarantees, and government-ordered debt repayment moratoriums are also important tools. Increasing trade finance (see below), notably by encouraging financial institutions to increase export credit or working capital for MSME exporters, or lowering insurance fees can be particularly relevant for trading MSMEs to improve their cash flows and operational efficiency. Tax payment deferrals are also frequently used to help MSMEs manage their cash flows.

Improvements in tax administration and tax reductions can lower costs to firms. Trading MSMEs would benefit from expedited reimbursement of VAT on exports, waiving the requirement to pay withholding tax on exports and imports as well as general tax reductions such as reduced corporate tax rates. Countries could also reimburse exporters that have lost overseas sales and the VAT paid on inputs, expecting this to be refunded on export. Direct measures to mitigate MSME losses could include, for example, the reimbursement of costs incurred for cancelled trade fairs.

Employment incentives aim at maintaining workers on firm payrolls. The German short-term work allowance and the Australian tax-free wage subsidy system offer examples in this regard. Experience from the global economic crisis of 2008-10 has shown that such support measures work well in addressing short-term shocks. Subsidizing the sick-pay expenses of firms and expanding health insurance to cover testing, treatment and vaccination costs, can also help MSMEs retain employment.

Technical assistance and regulatory measures, such as the timely issue of force majeure certificates and other legal advisory services for MSMEs, can be particularly relevant for trading MSMEs who may confront rising business disputes in times of crisis. Trade facilitation procedures can similarly be expedited to facilitate the timely issue of international commercial documents, to reduce the number and diversity of fees connected with import and export, and to streamline customs and border procedures and requirements.

Increased government procurement in times of crisis can offer significant opportunities for small businesses, including trading companies. Inclusive government procurement designed with a MSME perspective could offer small businesses better access to such recovery measures.

Efforts to accelerate the digitization of trade can also create opportunities for MSMEs by further lowering trade costs and helping them overcome disrupted supply chains – allowing them to tap into a wider range of international buyers and suppliers and to more easily manage end-to-end interactions. Adopting advanced digital solutions will help MSMEs become more resilient to future economic disruptions.

5. Trade finance and trade credit – problems return

Exporters around the world show signs of experiencing trade finance difficulties similar to those encountered during the global economic crisis of 2008-10 and affecting both the cost and availability of short-term trade finance. One common indicator of the cost of short-term financing in general (i.e., not just financing for trade) is the TED spread.28 A rising TED spread indicates that liquidity is being withdrawn. The TED spread fluctuates over time, but historically has often remained within the range of 10 to 50 bps (0.1% to 0.5%). During the 2008-


28 The TED spread is the difference between the interest rates on interbank loans and short-term U.S. government debt. The TED spread is calculated as the difference between the three-month T-bill interest rate and three-month LIBOR. The TED spread fluctuates over time, but historically has often remained within the range of 10 to 50 bps (0.1% to 0.5%). Rates for 9 April reported on 16 April; there is a one week lag in reporting because the LIBOR series is lagged by one week due to an agreement with the source.
10 global economic crisis, the TED fluctuated between 1% and 2%, but rose at one point to just over 4%. The TED spread was at 0.97% on 9 April 2020.

Perceiving increased risks and higher liquidity costs, commercial lenders appear to be limiting their overall exposure, thereby lowering the availability of trade finance. The private sector is increasingly looking to governments to maintain financing channels and supply chains, and to alternative (non-private) sources of short-term trade financing and official export credits for medium- and long-term projects.

In responding to the above concerns, governments are turning to state schemes to fill financing gaps, as they did during the 2008-2009 crisis. Several advanced economies have instituted new and/or expanded short-term support programmes (including supply chain and bridge financing) and working capital programmes in support of national exporters.29 As noted above, governments have also focused on MSME exporters, whether in terms of domestic finance (working capital) to allow exporters to cover the costs of inputs for the products they manufacture for export, or trade finance to support their exports to foreign borrowers.

Multilateral development banks (MDBs) have also started implementing emergency initiatives dedicated to trade finance and working capital support for businesses impacted by the slowdown in trade and economic activities resulting from COVID-19. MDBs are working with financial institutions to help them effectively serve businesses in the face of severe supply chain disruptions. Given limited trade finance availability in developing economies due to constraints on operational capacity and capital of local banks, MDBs’ established trade finance platforms are rapidly bridging the gap while international correspondent banks are shying away from emerging markets.

Declines in inter-firm trade credit can have a faster and larger impact on firms than reduced credit from the financial system, due to knock-on effects of any firm insolvency on other firms in the value chains.30 Addressing this can include i) support to trade credit insurance for example through funds to reinsure major trade credit insurers that commit to not reducing credit lines; ii) enforcing the payment discipline towards SMEs by larger firms, especially when these are receiving state support, iii) expediting payments in public procurement.31

D. THINKING BEYOND THE IMMEDIATE

Even as they grapple with the immediate crisis, governments need to think ahead, as the actions they take now have important implications for the future.

1. How can government support be as non-trade distorting as possible?

Governments are rightly providing unprecedented support to prevent the COVID-19 crisis from destroying livelihoods and causing lasting harm to productive capacities. How might such support be designed to ensure that it does not become a source of longer-term distortions in the global economy or add to existing distorting support in some sectors?

Support provided through the financial system in the form of below-market loans and government equity is an important tool for governments in the crisis, but how it is designed and unwound (or not) will shape future competition in the global economy. Some government support may contribute to building capacity in sectors that find it difficult to adjust production according to demand. In these sectors, producers will accumulate inventories which, as demand recovers, could lead to intense competition for market share. How might governments approach these issues?

Support to firms and sectors needs to be as efficient as possible given competing priorities for scarce public resources (e.g., health, social protection). Are there ways to design support that not only reduces concerns about international market distortions, but also helps address

29 The European Commission, for instance, has relaxed its state aid rules thus allowing Member State governments to offer short-term export credits for marketable risks.

30 To some extent, trade and asset finance overlap (for many SMEs, trade receivables are their single largest asset). Within value chains, internal and external financing channels also overlap – for example, banks finance client receivables.

31 This challenge can be addressed in two main ways: a) monitoring and enforcing payment discipline in the public sector; b) establishing a guarantee mechanism allowing public sector overdues to be refinanced by banks, so that contractors receive prompt payment.
concerns about the fair distribution of benefits at national level, both of which are likely necessary to preserve public support for open markets and trade?

Experience suggests that sound principles underpinning public support measures should ensure that these are: transparent; non-discriminatory amongst similarly affected firms; targeted at those hit the hardest, while avoiding the rescue of those who would have failed in the absence of the pandemic; time bound and reviewed regularly. Are these principles useful references in the current crisis?

2. How can global value chain resilience be strengthened?

As noted above, sectors optimized for 'just-in-time' production currently suffer from the combined impacts of supply disruptions and demand shocks. Imported intermediate inputs are likely to experience supply disruptions, while demand for exports from destinations experiencing recession declines. Some GVCs can also be prone to stickiness due to costly supplier and buyer matching and to relationship-specific investments to customize inputs. Both imply that firms cannot easily or rapidly substitute away from affected suppliers or buyers.

Can internationally diversified production be a source of resilience and adjustment for firms in an adverse environment? For example, experience has shown that food self-sufficiency is no guarantee of security of supply.

Governments might want to consider the trade and investment policy environment that can best support resilience: for example, the availability of digital infrastructure to reduce productivity hits, or improvements to trade facilitation? Might governments also want to consider special arrangements for specific supply chains of strategic goods (although this is not necessarily equated with the re-shoring of production)? For firm strategies, resilience might, for example, mean re-examining the structure of businesses globally, including in relation to redundancy capacity and inventory stocks.

3. Can trade and health cooperation be improved?

The current crisis provides an opportunity to consider how to strengthen trade and health going forward, with a view to scaling up preparedness for future pandemics. Governments may want to consider, for example:

- **Ensuring transparency** by the timely notification of trade-related measures taken in response to COVID-19 to the WTO. Governments might consider asking IOs to identify key trade and investment-related data that needs to be monitored to help inform real-time policy responses to the trade disruptions caused by the pandemic;

- **Improving information sharing** to ensure that cross-border data related to COVID-19 – including on medical supplies, clinical trials and monitoring the epidemic – can be transferred and accessed on a global basis.

- **Cutting tariffs** on an agreed list of essential medical products. While applied tariffs on key COVID-19 medical products are below 4% in advanced economies, they stand at 8% in developing economies and just over 11% in least-developed economies.

- **Developing possible disciplines or guidelines on export restrictions.** At their meeting on 30 March 2020, G20 Trade Ministers agreed that "emergency measures designed to tackle COVID-19, if deemed necessary, must be targeted, proportionate, transparent and temporary, and that they do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules".

- **Exploring coordinated investments in strategic stockpiles of medical supplies** – to ensure the availability in emergencies, to speed up response times, to avoid beggar-thy-neighbour competition, and to ensure greater access for poorer countries.

- **Exploring upstream readiness for implementing available technologies and best practices to facilitate the enhanced mobility of essential workers** – from transport and logistics personnel, to health care professionals and seasonal agricultural workers.
E. COVID-19 AND INVESTMENT TRENDS AND POLICY RESPONSES

1. The impact of COVID-19 on FDI - no longer just a supply chain shock.\^32

Early expectations that the economic impact of Covid-19 would be limited to the ripple effects of production stoppages and supply chain disruptions in East Asia – China in particular – are being overtaken by events. It is now evident that pandemic mitigation efforts and lockdowns around the world is having devastating effects on all economies, independent of their links to global supply networks.

**The global recessionary shock will push down global investment.** A comparison with the global financial crisis (-30% of capital expenditure by the top 5,000 MNEs worldwide, and -35% FDI in 2009) can provide some insights on expected orders of magnitude. However, the negative impact of Covid-19 could be significantly worse. First, its scale is truly global, affecting FDI and capex in developing countries as much as in developed economies, or more. Second, its impact is much more immediate, as the demand shock is accompanied by forced interruptions and postponements of investment projects.

2. All types of FDI will be affected - greenfield, expansions, M&As, reinvested earnings

**Foreign Direct Investment (FDI) is expected to decline sharply.** This comes on top of the steady decline of FDI flows observed over the past five years (see Figure 5).\^33

**Figure 5: Global FDI inflows by instrument, 2005 to 2019**

![Graph showing global FDI inflows by instrument from 2005 to 2019.]

**Source:** OECD FDI Statistics Database.

**Reinvested earnings – which play an important role in FDI flows – will drop substantially in the short term, as the crisis depresses corporate earnings.** On average, the top 5,000 MNEs, which account for a significant share of global FDI, have seen 2020 earnings estimates reduced by 30% due to Covid-19, with declines of 200% in some industries, and the trend is likely to continue (see Figure 6). Some of the worst affected industries are normally important cross-border capital investors, such as manufacturing, accommodation services and transportation.

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\^32 For updated and in-depth analysis on global and regional FDI prospects, see UNCTAD 2020 World Investment Report International Production System Beyond the Pandemic (June 2020).

Intracompany loans and injections of equity capital from parent companies to struggling foreign affiliates may offset part of the decline in reinvested earnings. Such behaviour was observed during the 2008 global financial crisis and is often seen in times of severe currency depreciations. It constitutes an advantage of foreign ownership as financial linkages between investors and their foreign affiliates play an important role in the resilience of affiliates to economic crises.

In addition to the automatic effect of lower earnings on reinvested earnings, equity capital flows will also drop as many new investments, including both M&A and greenfield investments, are put on hold. As new investment projects have a long gestation period and a lifecycle that can span decades, many ongoing projects may likely only be delayed. However, depending on the severity of the pandemic's recessionary impact, projects could be interrupted or shelved indefinitely. Announcements of new greenfield projects are likely to be delayed.

Similarly, mergers and acquisitions (M&A) are slowing down. Regulators in the United States and in Europe are seeing delays in approval processes for some of the world's biggest planned mergers. Newly announced cross-border M&A transactions worldwide are on course for a 70% decline since April 2019.

Earnings guidance by multinational enterprises (MNEs) in UNCTAD’s Top 100, a bellwether of FDI trends, confirms the rapid deterioration of global investment prospects. 60% of MNEs have added warnings on the impact on sales of the global recessionary shock caused by the pandemic. Covid-19 is no longer just a global value chain (GVC) problem.

3. The impact will depend on the spread of the pandemic and policy responses

As with trade, the decline in FDI will depend on the severity and duration of the pandemic across different regions and countries and on the scope of containment measures. Importantly, it will also depend on the nature and scale of policy packages that most governments are now putting together to support their economies. Most of the policy packages enacted by governments in the wake of the COVID-19 pandemic are expected to include investment support measures, such as accelerated depreciation of post-pandemic capital expenditures. This is especially the case in Asia, where a larger proportion of GDP is tied to investment demand.

A further degree of uncertainty stems from the combined effects of the different shocks and policy responses that global FDI will absorb. The demand shock is expected to be deep, but if the policy response proves effective, investment recovery could be relatively quick when delayed projects are relaunched.

However, the negative impact that the pandemic exerts on investment linked to global production networks could be more durable. The Covid-19 outbreak risks accelerating pre-existing trends of decoupling (the loosening of GVC ties) and re/near-shoring driven by the desire on the part of MNEs to make supply chains more resilient and, potentially, by the desire on the part

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**Figure 6: Earnings losses and potential relevance for reinvested earnings**

<table>
<thead>
<tr>
<th>Average earnings revisions to date due to Covid-19 for the top 5’000 MNEs</th>
<th>Share of reinvested earnings in FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>52%</td>
</tr>
<tr>
<td>Developed</td>
<td>61%</td>
</tr>
<tr>
<td>Developing economies</td>
<td>40%</td>
</tr>
<tr>
<td>Africa</td>
<td>27%</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>41%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>43%</td>
</tr>
<tr>
<td>Transition economies</td>
<td>93%</td>
</tr>
</tbody>
</table>

**Note:** data on earnings revisions until end of March, share of reinvested earnings in FDI for 2018.

**Source:** UNCTAD analysis, based on data from Refinitiv and UNCTAD’s FDI database.
of policymakers to ensure more secure access to critical supplies and to protect key industries and
technologies. Diversification is better risk management strategy, as it protects against disruption in
any one location.

4. Investment policy reactions include both supportive and restrictive measures

The investment policy responses witnessed to date span supportive measures aimed at
safeguarding and re-starting international production after the crisis, alongside
restrictive measures taken for public health purposes or to prevent the sell-off of
companies hit by the crisis. Numerous countries around the globe are providing financial support
programs for their domestic economies or specific programs to aid the healthcare sector. The EU
has relaxed its rules on State Aid. Major economic groupings, such as G20 and G7, have issued
statements in support of investment and global value chains. One country has announced
administrative assistance to foreign-invested projects and enterprises in resuming business and
production, a simplification of approval procedures for foreign-invested projects and improvements
to the tax exemption process for imported equipment. Investment promotion agencies have moved
their work online.

Restrictive measures taken and/or envisioned so far, include the suspension of foreign
investment liberalization in critical sectors and some cases of direct financial support
extended to companies in sensitive sectors targeted by foreign take-overs. Some
governments are considering public ownership stakes in sensitive assets, particularly in airline
companies, following experiences with similar measures during the 2008 Global Financial Crisis,
which predominantly concerned the financial and automotive sectors. Governments are also placing
restraints on businesses, including closures of non-essential facilities during lock-down periods,
confinement of employees, new export restrictions and border closures. Certain companies have
been compelled to switch production to manufacture goods such as ventilators, or provide hospital
accommodation or other services. Limits on contracts for credit, real estate or other goods
and services have also been imposed in many countries, and dividend payments to shareholders or share
buybacks are being discouraged or prohibited.

Some governments have also taken immediate action to prevent some acquisitions of
sensitive assets that are exposed due to pandemic-related valuation changes or that are
deemed critical to the healthcare sector. Prior to the current crisis, many countries already had
mechanisms to protect their essential security interests against perceived threats associated with
foreign acquisitions of sensitive assets. As suggested for example by the European Union, such
mechanisms may play a particular role under current market conditions, where price disruptions and
economic stresses may make sensitive assets more readily accessible to foreign investors. At least
six G20 Members have already temporarily or permanently tightened their investment review
instruments. They have lowered investment thresholds that trigger the application of their
investment review mechanisms or apply more stringent rules to additional sectors. Some
mechanisms, in particular those that do not feature trigger thresholds and sector specifications, are
flexible enough to respond to the current situation. Several non-G20-countries have also made
adjustments to their investment review frameworks in response to the crisis, resulting in more
stringent conditions around the globe overall.

The current extraordinary circumstances will also likely test whether certain investment
treaties strike the right balance between investor protection and governments’ right to
regulate. Some investors, including those affected by restrictive measures being taken in response
to the Covid-19 crisis, may benefit from particular provisions that governments have included in
roughly 3,000 investment treaties. Governments have, for several years, been considering these
issues of balance in investment treaty policy in analysis and discussions of substantive provisions at
the OECD and UNCTAD. While it may still be too soon to assess the range of implications for
investment treaty policy, there have been some immediate consequences: negotiation of trade and
investment agreements and ongoing discussions on investment treaty reform, particularly on
Investor State Dispute Settlements in UNCITRAL and ICSID, which are on hold and/or rescheduled
as a result of widespread travel restrictions.

5. Immediate and long-term policy priorities for an inclusive and sustainable recovery

While the immediate recessionary impact of COVID-19 on global investment may be
severe, the crisis could also generate longer-term shifts in global value chains (GVCs) that
provide goods, services and incomes to people around the world. Global production networks
are engines of economic development and inclusive growth. They are lifelines for people around
world, through the provision of goods and services as well as incomes. They do so through both FDI
and international trade. They organically link thousands of multinational enterprises and millions
of MSMEs worldwide, creating jobs, opportunities and avenues for developing countries to link to the global economy.

**The immediate priority for trade and investment policymakers is to minimize the negative impacts of the pandemic and to ensure the efficient functioning of GVCs that provide goods and services essential for fighting the pandemic.** A number of governments have been quick to embrace and expand the potential of global value chains to address current shortages in medical equipment and supplies, by facilitating imports and alternative ways of producing needed goods. Yet, the spread of export curbs on medical supplies, introduced by numerous governments during March 2020, can run counter to the above initiatives and disrupt the value chains that are essential to producing what is needed to defeat the pandemic. In the future, trade and investment policymakers may need to reconsider how they regulate health and other essential goods and services to be better prepared to respond to new health crises. Doing so could hold potentially important implications for related value chains and FDI flows.

**Disruptions to international trade and investment driven by the current health crisis and closely tied economic upheaval and state interventions are likely to have repercussions on the future configuration of GVCs, more generally.** Pressures may rise to accelerate ongoing structural shifts towards shorter supply chains. Global FDI flows and trade in intermediary goods and services will take significant time to recover from the COVID-19 shock. Millions of jobs that depend on global production networks are at risk worldwide. The key challenge in the medium- to long-term will be to deploy cooperative solutions aimed at ensuring that the twin engines of trade and investment revive and function in a manner that serves global objectives towards inclusive and sustainable development. Crises typically provoke a reassessment of the adequacy of past policy approaches and the extent to which they should be revised. Trade and investment policymakers will need to draw lessons from the current crisis to refine policies and consider how investment can contribute to greater resilience in times of crisis and contribute sustainable development outcomes.