

GLOBAL PROBLEMS... GLOBAL LEADERSHIP?

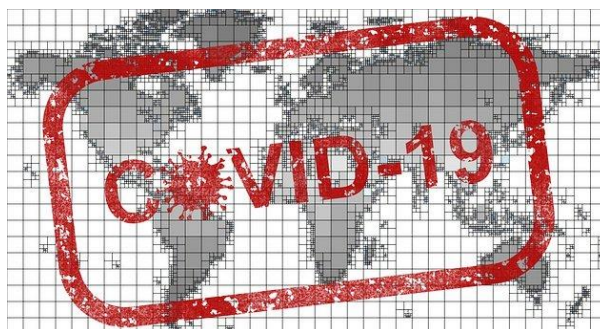
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Due to the rapid advance of the coronavirus disease (COVID-19), several countries have taken precautions to safeguard the health of their citizens, by restricting the movement of people and flow of goods. These measures are producing adverse effects on the world economy, which is heading to an unprecedented halt ever since the Second World War, including significant drops in consumption, production and investment.

As per the latest projections, the pandemic is pushing the global economy into a deep depression this year, wherein China may display a zero-growth rate, together with a remarkable drop in GDP across Europe and Latin America. The expected figures imply even more important than the falls recorded during the 2008-2009 Financial Crisis (Goldman Sachs JP Morgan, Rabobank. March 2020).

In light of this unprecedented event, it is important for countries to act in a coordinated fashion throughout the whole crisis, providing a special treatment to the most vulnerable countries. A global problem requires a global solution and the G20 turns out to be the ideal forum to lead the efforts.

One of the main tasks world leaders have is to prevent trade flows from being affected by protectionist measures, since this will aggravate



the situation and hinder recovery, especially in developing countries.

All future scenarios foresee deeper economic and social losses, including a rise in

protectionism. (Vos, Martin and Laborde, 2020). According to WTO Director-General Roberto Azevedo, the flow of cross-border trade and investment can contribute to the struggle against the COVID-19 pandemic, and will be critical to promote a stronger recovery when the health emergency recedes.

G20's role

Months after learning about the first cases of coronavirus, Saudi Arabia, which presides the G20 summit this year, called upon the presidents of the member countries to a teleconference in order to discuss experiences and create joint action plans.

In the first statement¹, it was admitted that "combatting this pandemic requires a transparent, robust, coordinated, large-scale, science-based global response in the spirit of solidarity". Following this, some issues were briefly addressed: fighting the pandemic, safeguarding the world economy, addressing international trade disruptions, and enhancing global cooperation.

¹[https://g20.org/en/media/Documents/G20_Extraordinary%20G20%20Leaders%E2%80%99%20Summit_Statement_EN%20\(1\).pdf](https://g20.org/en/media/Documents/G20_Extraordinary%20G20%20Leaders%E2%80%99%20Summit_Statement_EN%20(1).pdf)

Regarding trade disruptions, the need to ensure the flow of vital medical supplies, critical agricultural products and other goods and services across borders was highlighted, thus avoiding unnecessary interference. Lastly, the objective of achieving a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment was reaffirmed.



While the commitments referred to in the G20 statement are neither in effect nor binding, they set a first precedent for a coordinated res-

ponse among the world's major economies. In any case, it is important that these commitments create concrete policy guidelines that avoid a possible rise in measures restricting international trade.

It is worth noting that the response to the threat of protectionism was much more comprehensive in 2008. Back then, G20 leaders pledged to refrain from applying new barriers to investment and trade of goods and services, from imposing new export restrictions or instituting export stimulus measures that contravene WTO rules.

Two series of "Trade Monitoring Reports" emerged from this request at the WTO. These reports have been responsible for exposing the nature and scope of trade measures taken in the face of the crisis. In the coming months, the monitoring function of protectionism should be

highlighted, while also reinforcing the commitment not to resort to it.

Trade in agri-food products

Avoiding the imposition of trade restrictive measures is especially important in the markets for agri-food products.

As seen before, when faced with a lack of goods and services, importing countries seek to buy in advance and increase their purchases, and exporters tend to restrict their exports, thus creating the dreaded price hike, leading in turn to new restrictive measures to eventually end up in a global food security crisis.

A diverse number of studies have shown that during episodes of high volatility and spikes in agricultural product prices in 2007/08 and 2011/2012, the policies implemented by different countries with the aim of hedging against the situation had the opposite effect, thus worsening the price movements.

The negative effects of these "beggar thy neighbour"² policies were more severe in net food-importing countries, and especially in those that had not adopted this type of measures. Moreover, significant damage to the credibility of the world market as a reliable source of food was inflicted during those crises (Bianchi and Piñeiro, 2017).

Being aware of this situation, the G20 carried out a series of initiatives with the aim of preventing countries' food-related measures from leading to a global food crisis. Among these efforts, the

² In international trade, this refers to measures such as the imposition of trade barriers that seek a country's own benefit, damaging others.

creation of the AMIS³ initiative was one of them, an inter-institutional platform to improve the transparency of the food market and promote coordination of international policies in times of crisis.

Although thus far the markets have not reflected a situation such as those discussed above, if there is no coordinated action, the danger is imminent, especially if we bear in mind that some countries have already begun to implement measures. Exporters such as Kazakhstan, Vietnam, Serbia or Russia have already applied or are considering these measures. And importers such as Algeria, Turkey, Morocco or even China have made advance purchases and have reduced tariffs.

Accordingly, Azevedo reinforced the idea that no country is self-sufficient, no matter how powerful or advanced it may be, and that trade enables the efficient production and supply of basic goods and services, medical supplies and equipment, food and energy.

Although it could be thought that increases in the price of exported products could have a positive impact on Argentine economy, these should not derive from a protectionist upsurge, which could lead to the collapse of international trade and a crisis of world food security.

Supply chains

The food supply chain is complex, involving diverse players across different links, including producers, suppliers, processors and the food

industry, carriers and companies involved in logistics, marketing and other related services.

Leaders of the WTO, FAO and WHO issued a joint statement⁴ urging governments to minimize the impact on food trade of border restrictions related to COVID-19. They noted that trade-related measures should not disrupt the food supply chain.

Additionally, the FAO stressed that although there are no current problems concerning food availability, some supply shocks have been reported in terms of logistics and mobility of production in routes and ports, especially within some important suppliers.



For this reason, it will be indispensable - while protecting the health of workers- for all countries to take the necessary measures to avoid logistics problems in supply chains that may affect the production and marketing of food, which has been declared essential in most countries. As the second most important net exporter of food in the world, Argentina must continue with its efforts to guarantee the ongoing shipments of agri-food products to the world.

³ Agricultural Market Information System (AMIS). Created as a tool to address excessive volatility in food prices and strengthen global food security in a period of increased insecurity in international food markets. Therefore, its creation is intrinsically

linked to the two consecutive price increases taking place in 2007/08 and 2010.

⁴https://www.wto.org/spanish/news_s/news20_s/igo_26mar20_s.htm

Remedial measures

In addition to trade policies, it will also be necessary to coordinate the rest of the measures that the countries are implementing to offset the negative effects of the physical restrictions resulting from quarantine policies, and prevent the crisis in the real economy from spreading to the financial sector.

The most important governments have announced fiscal stimulus plans, as a complement to the monetary policies of cuts in interest rates adopted by the central banks, with the objective of counteracting the tightening of financial conditions and supporting domestic demand, cushioning losses of homes and companies.

Beyond these individual efforts, a global effort will be needed as well, and all eyes are on the IMF. The organization referred to their concentration on bilateral and multilateral surveillance on the crisis. Furthermore, the Catastrophe Containment and Relief Trust has been activated to help the poorest countries, and the IMF stands ready to deploy US\$1 trillion⁵ in lending capacity.

So far, the G20 member countries have pointed out that they are injecting "more than five trillion

dollars" into the economy through fiscal measures and economic guarantees, limiting themselves to requesting the finance ministers and central bank governors of G20 countries to coordinate an action plan in response to COVID-19.

Isolation or coordination?

Yuval Noah Harari⁶ points out that humanity has two options: nationalist isolation or global solidarity. Both the epidemic and the resulting economic crisis are global problems, which can only be effectively resolved through cooperation. This is vital on the economic front, since if each government takes measures without considering others, the outcome will be a more aggravated situation and a deeper crisis. That is why a global action plan is urgently needed.

The G20 can – and must – take the lead in this crisis management process. Past experiences should be a lesson, especially in trade matters. Global leaders must quickly call for concrete efforts, just like in 2008, to prevent individual efforts from misleading us even further. The challenge is huge. The magnitude of the economic crisis and the speed of recovery depend on it.



⁵ <https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency>

⁶ <https://amp.ft.com/content/19d90308-6858-11ea-a3c9-1fe6fedcca75>