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GLOBAL SUPPLY CHAINS (GSCS) DISRUPTIONS AND POST-PANDEMIC ECONOMIC CHALLENGES AROUND THE GLOBE: POLICIES BASED ON THE WORLD TRADE ORGANIZATION



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Global Supply Chains (GSCs) Disruptions and Post-Pandemic Economic Challenges around the Globe: Policies based on the World Trade Organization

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ABSTRACT

The focal point of this policy paper is to examine the Global Supply Chains (GSCs) disruptions in the post-pandemic world and, eventually, propose some policy suggestions that could be addressed through the line of the World Trade Organization (WTO). The paper comprehensively describes the current challenges in the supply chain caused by the COVID-19 pandemic in the form of consumer product shortages and demand shocks, respectively, in developed and third-world countries. It also formulates some set of policy areas that requires a holistic vision on the global cooperation among the US, EU, and the rest of the world concerning the re-allocation of the primary production sectors such as agriculture that may lead to the positive consequences in turn. The role of the WTO, in this respect, to alleviate the GSCs disruptions is mainly prioritized around the Doha Round discussions that could be essentially proved feasible through a collaboration in the trade relations. Therefore, the sustainability of the solution is heavily shown in the application of the correct policies that do not contradict the interests of both developed and third world but rather combine all the efforts for mutual gains.

Keywords: *Global Supply Chains (GSCs) disruptions, post-pandemic, World Trade Organization (WTO)*

INTRODUCTION

The world has been experiencing yet another global crisis in the 21st century since the outbreak of the COVID-19 pandemic in 2020. Unlike previous crises, the pandemic one way or another has affected almost every field of life including primarily health, economy, politics, education, and many others. The challenges stemming from pandemic in these fields deserve separate research; however, post-pandemic economic challenges and recovery attract even more attention since it requires global cooperation and other sectors that mainly depend on the economy. What is meant by economic challenges is mainly disruption of the global supply chain, increment of inflation rates, and deterioration of existing poverty in third world countries. This policy paper takes into account global supply chain imbalances as a major source for the challenges and issues mentioned. It is also evident that the solution to this global problem does not seem to be possible at either regional or national level in the globalized world. All countries are highly independent of each other and only through global determination and policies, which demand an active role of international organizations, the post-pandemic economic recovery process can be achieved. With this respect, the ultimate goal of the paper is to analyze disruption of the global supply chain and economic challenges after the pandemic and what role WTO can play in the solution of this problem as an international organization. Therefore, the paper will be mainly focused on the qualitative method to analyze the reasons and possible solutions to the problem. Additionally, after examining the existing policy options, there will be some policy suggestions put forward, and the paper will conclude with the recommendations regarding the whole content of the core problem.

¹under the supervisory of Dr. Lala Jumayeva



PROBLEM DESCRIPTION

Starting from early 2020, most of the countries ceased production of certain consumer products, and manufactures were temporarily closed due to the pandemic. Following high rates of COVID-19 cases and death, countries immediately closed all their borders which resulted in the cessation of trade relations. Because the advanced world had sufficient supply reserves, this situation did not constitute a massive problem at initial stages of the outbreak. However, in the post-pandemic period, all the countries including advanced world suffer from the global supply chain disruption in two ways. Initially, as a result of the global shortage of consumer products which stems from cessation in the early months of the pandemic, the value of imports increases and cost-push inflation emerges, and this is the case mainly advanced world is currently experiencing. As to the third world, as people return to normal life, developing countries face demand shock, and simply these countries are not able to satisfy their population with the required products due to again rising prices and shortage of supplies, correspondingly, the existing poverty deteriorates in the third world. One of the suggested solutions by Thornton (2020) is that the only way out of this challenge is high-level cooperation among the G20 countries. To be more precise, the current approach holds that the developing countries should not necessarily play an active role to solve the issue. Nevertheless, it should be taken into consideration that advanced countries are in need of raw materials of developing countries to provide their manufactures, so ignoring the role of third world would be a main limitation of the current approach. In other words, supply chain recovery is only possible with the direct participation of those countries. As it will be discussed throughout the paper, policies of the WTO to recover the supply chain with the most feasible and effective policies by cooperation between advanced and developing world together seems the best solution. In this respect, the supply chain disruption and its side effects such as global inflation and poverty may be overcome through international cooperation.

POLICY OPTIONS/POLICY FORMULATIONS

As the Global Supply Chains (GSCs) disruption during the post-pandemic period requires considerably important responses, scientists from the sphere of the political economy primarily refer to the World Trade Organization policies to tackle the problem. Accordingly, professors of international economics, Dr. Baldwin and Freeman (2021) are trying to explain the risks of the disruption of the global supply chain and offer the consistent and feasible solutions to the problem. Their solutions are predominantly focused upon the supply chain resilience and robustness; more precisely, at the beginning of the crises, the countries need immediate government control to solve the problem in a less cost-effective way. They should establish redundancy to reduce the dependency on the externally produced goods and products or urge for a "Collaboration principle". Correspondingly, all these regulations are responding to the WTO rules on the account of trade-off balance between the countries and trying to recover from hazardous consequences of exogenous supply chain disruption effects. Therefore, the countries need to refrain from imposing customs and duties on the most domestically utilized goods and services. They also need to make exceptions in the form of "quota-free access" to the least developed countries in the world to contribute to their recovery from the global supply chain shocks. Furthermore, the policies regarding the regulatory measures are also being offered to deal with the current economic challenges. These suggestions are mainly grounded on the diversification of suppliers within the domestic economy. The enlargement will be made available for the goods and services that require less extra cost and carry out the "time to survive" mechanism. In order to recover from the exogenous disruptions, the WTO member countries will be contributing to other firms to manage anti-risk GSCs nexus policies based on the existing mutual trust and long-term relationships among them. In this regard, countries all over the globe may get out of the crises (Baldwin & Freeman, 2021). Moreover, the other scholars are also emphasizing the role of WTO in terms of monitoring the national trade policies during this



challenging economic situation and imposing new rules and regulations, reinforcing restrictions on some internationally traded goods and services, and accommodating digital trade in need of urgency (Bacchetta et al., 2021).

By considering the suggested policy options well-founded on the international political economy, similarly, we are also offering the policy formulations with regard to the WTO principles. The proposals essentially are in the central connection with the Doha Round discussions of the WTO, which include the policy of "trade liberalization in agriculture" (Francois et al., 2005). In order to take more prompt and feasible forwards to deal with the post-pandemic economic challenges, eliminating the food security mechanism of the EU and US for a short period of time and instead proceeding to import the goods and services produced in the developing countries including Africa, Asia, and Latin America, are the major policy options in our paper. Although countries like the US and EU are bringing the food self-sufficiency arguments, our proposals are substantiated by the discourse analysis made during the Doha Development Agenda. In this regard, trade liberalization will increase the gains for developing countries as well and simultaneously reduce the substantial loss from agricultural policies as a result of subsidies for the developed nations, like the US and EU (Francois et al., 2005). Thereby, we are proposing to avoid the policies grounded on the US Farm Bill and EU Common Agricultural Policies in the short-run due to recovering from GSCs disruptions and ongoing economic growth challenges resulting from the COVID-19 outbreak in 2020. If the countries from the advanced world decide to stop the domestic production of agricultural products on their own, which is relatively inefficient itself and start importing from Africa or other developing nations, it will be highly profitable for EU countries and the US specifically. Subsequently, by taking into account the World Trade Organization flexibilities, it is preferable to take off the restrictions on the export and import baskets for the sake of international cooperation to respond to the global crises. The reason to focus on the US and EU is related to the fact that they are sharing the most considerable portion of the worldwide economy, and at the same time, their currencies are the largest reserve currencies in the world. These preliminary factors create the domino effect in the economy, which means that if the trade balance and supply chain problems, at the same time inflation in return could have been resolved in those countries, it will be mirroring to the whole world, and all nations may get out of the crises gradually. Throughout the process, it will not only change the food supply system positively but also decrease the level of poverty in those least developed countries in the long run around the world. This is related to the procedure that the level of poverty in the least developed nations has been triggered lots by the negative effects and ramifications of global economic crises, and it requires the urgent management of the expected further risks in the upcoming years (Bacchetta et al., 2021). Thus, the agricultural trade liberalization policies will be the primary factors in creating open "market access" equally to all countries in the world, as it is one of the principal commitments and competencies of WTO that have been carried out throughout the years. Over and above that, with the help of policies concerning the trade liberalization in agricultural sectors, we believe if the problem of GSCs might have been addressed correctly, it will subsequently also reduce the level of the global cost-push inflation, which has been accelerated by the risks and disturbance of the supply chain. Accordingly, inflation as one of the most severe economic challenges will also be resolved because the produced goods and services will be supplied in the same quantity as a consequence of the pursued policies of WTO on the account of trade liberalization; and in the end the equilibrium will be achieved thoroughly.

CONCLUSION AND RECOMMENDATIONS

Variety of the global sectors such as the national economies, finance, and other spheres of the life were heavily hit by the outbreak of the COVID-19 pandemic in the multiple ways that disrupted the Global Supply Chains worldwide. Since the buyer-supplier relations have been changed by this disruption, most of the industries have been experiencing fluctuating turmoil in



their operation. The primary impacts have been observed in the manufacturing production as the form of delivery delays followed by the closure of the production factories and spread across the countries from China to the US by crossing Europe. This disruption has caused further ramifications that became visible in people's everyday life at the early stage of the pandemic. The situation also creates consumer product shortages in the developed world that cause the rising demand, which puts extra pressure on the financial sectors and contributes to the cost-push inflation as discussed above. Meanwhile, the developing countries parallelly suffer from the demand shock that results in altering the incentives of the suppliers due to the uncertainty emerged from the developed world's supply shortages and inflationary price increase.

Nevertheless, although we are gradually coming to the end of the pandemic, the disruptions still show their effects on the post-pandemic world economy. Therefore, the global application of the new policies is necessarily needed not only to bring the world economy to the pre-pandemic equilibrium but also to innovate the various approaches to adopt the new post-pandemic conditions. In this respect, the WTO is the most feasible institution to advocate these changes in the contemporary world since it has had successful advocacy cases in history by promoting the removals of the tariff barriers for the developed world in the developing countries. Thus, mentioning this successful experience, the new set of policies should also align in the same way, which means that not only the developing countries but also the developed world should refrain from imposing customs and duties on the most domestically utilized goods and services in order to ensure the smooth flow between national economies. Meanwhile, the WTO should also focus on the policies encouraging trade liberalization in order to diversify the economies to eradicate the existing challenges. If this set of policies commenced in the agriculture sector initially, positive consequences are most likely to create multiplier effects between the developed and third world countries by enabling them to maximize their efficiency while minimizing their cost of production.

In conclusion, the paper has attempted to shed light on the problem of Global Supply Chain disruptions caused by the COVID-19 pandemic in the world economy and, meanwhile, recommends economic policies that are feasible to apply in order to reach a sustainable equilibrium in the post-pandemic world economy.

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ОРГАНИЗАЦИИ. ГЛОБАЛ ТƏХИЗАТ ЗƏNCIRLƏRININ (QZT) POZULMASI VƏ PANDEMIYADAN SONRAKI DÜNYADA İQTİSADI ÇƏTİNLİKLƏR: DÜNYA TİCARƏT TƏŞKİLATINA ƏSASLANAN SİYASƏTLƏR

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Bu tədqiqat işinin aparılmasının əsas məqsədi pandemiya sonrası dünyada Qlobal Təchizat Zəncirlərinin (QTZ) pozulmasını araşdırmaq və Ümumdünya Ticarət Təşkilatı (ÜTT) vasitəsi ilə həll oluna biləcək bəzi siyasi təkliflərin verilməsidir. Tədqiqat işi COVID-19 pandemiyasının inkişaf etmiş və üçüncü dünya ölkələrində müvafiq olaraq istehlak məhsullarının çatışmazlığını və tələb şokları şəklində tədarük zəncirindəki mövcud problemləri hərtərəfli şəkildə özündə əks etdirir. Kənd təsərrüfatı kimi ilkin istehsal sektorlarının yenidən bölüşdürülməsi ilə bağlı ABŞ, Al və dünyanın digər əraziləri arasında qlobal əməkdaşlığa dair vahid baxış tələb edən bəzi siyasət sahələrinin formalaşdırılması və bunun fonunda müsbət nəticələrin əldə olunması öz əksini tapmışdır. Bu xüsusda, ÜTT-nin rolu, əsasən, ticarət əlaqələri sahəsində əməkdaşlıq vasitəsilə mümkünliyünü sübuta yetirə bilən Doha Raundu müzakirələri ətrafında QTZ-də yaranan pozuntuların aradan qaldırılmasından ibarətdir. Buna görə də mümkün həllərin dayanıqlılığı həm inkişaf etmiş, həm də üçüncü dünya ölkələrinin maraqlarına zidd olmayan, əksinə, qarşılıqlı mənfəət üçün bütün səyləri birləşdirən düzgün siyasətlərin tətbiqində özünü göstərir.

Açar sözlər: *Qlobal Təchizat Zəncirlərinin (QTZ) pozulması, post-pandemiya, Ümumdünya Ticarət Təşkilatı (ÜTT)*

ГЛОБАЛЬНАЯ ПРОИЗВОДСТВЕННО-СБЫТОВАЯ ЦЕПЬ (ГПСЦ): ПЕРЕБОИ В РАБОТЕ И ПОСТПАНДЕМИЧЕСКИЕ ЭКОНОМИЧЕСКИЕ ПРОБЛЕМЫ ВО ВСЕМ МИРЕ: ПОЛИТИКА, ОСНОВАННАЯ НА ВСЕМИРНОЙ ТОРГОВОЙ

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АННОТАЦИЯ

Основное внимание в этом аналитическом документе уделяется изучению сбоя в глобальных производственно-сбытовых цепочках (ГПСЦ) в постпандемическом мире и, в конечном итоге, представить некоторые предложения по вопросам политики, которые можно было бы рассмотреть по линии Всемирной Торговой Организации (ВТО). В документе всесторонне описываются текущие проблемы в цепочке поставок, вызванные пандемией COVID-19 в форме нехватки потребительских товаров и резких колебаний спроса соответственно в развитых странах и странах третьего мира. В нем также сформулирован ряд областей политики, требующих целостного видения глобального сотрудничества между США, ЕС и остальной частью мира в связи с перераспределением таких секторов первичного производства, как сельское хозяйство, которые, в свою очередь, могут привести к позитивным последствиям. В этой связи роль ВТО в смягчении последствий сбоя в функционировании ГПСЦ является приоритетной в рамках



Дохинского раунда переговоров, в которой по существу доказана возможность сотрудничества в торговых отношениях. Таким образом, устойчивость решения в значительной степени проявляется при применении правильной политики, которая не противоречит интересам как развитых, так и стран третьего мира, а, скорее, объединяет все усилия для взаимной выгоды.

Ключевые слова: сбоек в глобальных производственно-сбытовых цепочках (ГПСЦ), постпандемическом, Всемирной Торговой Организации (ВТО)

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