

VoxEU: The role of global supply chains in the COVID-19 pandemic and beyond

Re-nationalisation of global supply chains is unlikely to help insulate economies from future pandemic-driven lockdowns, [writes Barthélémy Bonadio, Zhen Huo, Andrei Levchenko, Nitya Pandalai-Nayar for VoxEU](#)



Source: Shutterstock

Global supply chains are a key feature of the world economy but as most countries experienced lockdowns following the Covid-19 pandemic, there are key concerns about both the present and the future of global supply chains. Currently, global supply chains are widely believed to transmit the crisis across countries (Baldwin and Freeman 2020).

In the future there may be some re-nationalisation of the supply chains (Javorcik 2020). After Covid-19, protectionist and nationalist policies could give further impetus to this retrenchment of supply chains (Baldwin and Evenett 2020). A recent paper (Bonadio et al. 2020) addresses two key questions by performing a quantitative assessment of the role of global supply chains in the pandemic:

- First, how much did foreign lockdowns contribute to coronavirus-related GDP contractions?

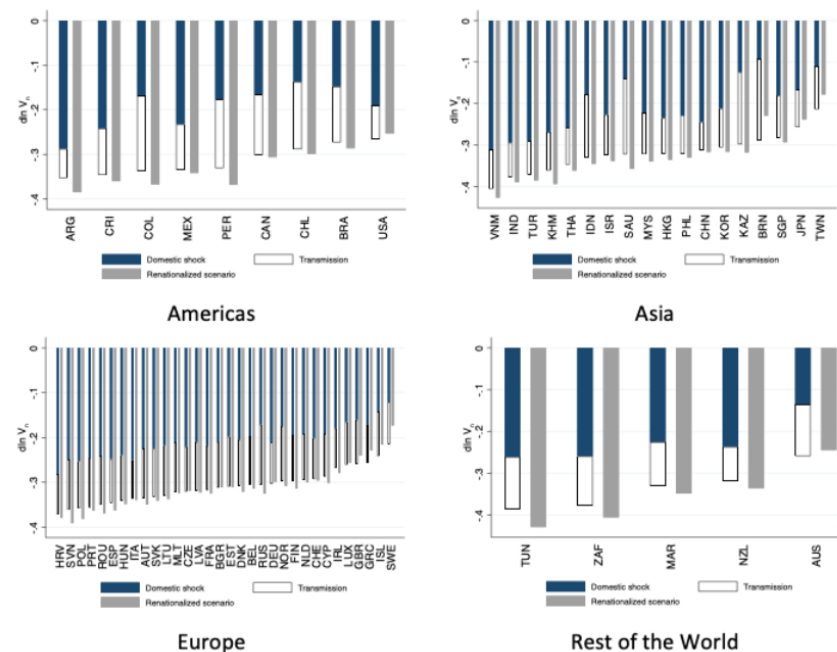
- Second, would renationalising global supply chains insulate countries from future epidemic-related contractions in labour supply?

A key quote from the article:

"Naturally, renationalisation of global supply chains would change the relative size of domestic sectors, as input users shift from foreign to domestic intermediates. The answer is that by and large, severing global supply chains will not make countries more resilient to pandemic-style labour supply shocks. The grey bars in Figure 1 plot counterfactual declines in GDP for the same shock in a world where supply chains are domestic. It turns out that on average in our 64 countries, the downturn would actually be slightly worse with renationalised supply chains (-32.3% on average) than under current levels of trade. The intuition for this finding is simple: eliminating reliance on foreign inputs increases the reliance on domestic inputs. Since any national pandemic-related lockdown also affects domestic sectors, there is generally no resilience benefit from renationalising the international supply chains."

Figure 1 - GDP responses to the pandemic-related labor supply shock

Figure 1 GDP responses to the pandemic-related labour supply shock



Source: Bonadio et al (2020)

The full original article first appeared on VoxEU [here](#) on 25 May 2020.

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