

Forum: Economic and Social Committee

Issue: *The Issue of interrupted production and supply chains in the wake of the Covid-19 pandemic.*

Student Officer: Ben Joschua Gerl, Fredrik Bruns

Introduction

In the early months of the year 2020, the outbreak of a new previously unknown virus, officially called SARS-CoV-2 but also known as Covid-19 or the CoronaVirus, into a worldwide pandemic caught the globalized world of our time off guard.

What followed was a wave of lockdowns imposed by local governments, first in China, which makes up a large amount of the global production of many essential products, and then in almost all other countries in the world. Before the pandemic the world economy experienced a long and prosperous period of globalization. Hence, the unexpected isolation of many countries resulted in a drastic reduction in international trade. The commerce of products that were previously shipped through multiple countries and went through different steps of production in different countries before arriving at their destination became scarce and therefore the variety of products decreased and prices rose.

What followed was a global shortage of essential goods, from medicine or sanitary equipment like medical masks or disinfectants produced in Asian countries. Also, food products were only scarcely present sometimes which was enlarged by mass panics that resulted in the mass hoarding of many goods.

Overall, the interruption of supply and production chains due to the drastic reduction of international trade and the lockdowns halting production caused by the Covid-19 Pandemic led to a significant shortage of many products worldwide.

Definition of Key Terms

Globalization

The growing interdependence of the world's economies, cultures, and populations

Supply Chain

The system of people and things that are involved in getting a product from the place where it is made to the person who buys it.

Iron Curtain

The political, military, and ideological barrier erected by the Soviet Union after World War II to seal off itself and its dependent eastern and central European allies from open contact with the West and other noncommunist areas.

Capitalism

An economic system based on the private ownership of the means of production and their operation for profit.

Communism

Political and economic doctrine that aims to replace private property and a profit-based economy with public ownership and communal control of at least the major means of production (e.g., mines, mills, and factories) and the natural resources of a society.

Free Trade

The trade between different countries that is carried on without particular government regulations such as subsidies or taxes.

Trade Barriers

Government-induced restrictions on international trade, such as tariffs.

Tariff

A tax imposed by the government of a country or by a supranational union on imports or exports of goods.

Marshall Plan

An American initiative enacted in 1948 to provide foreign aid to Western Europe.

Neoliberalism

A term used to describe ideas associated with free-market capitalism. It is generally associated with policies such as economic liberalization, including privatization, deregulation, globalization, and free trade.

Background Information

After the Second World War, rebuilding programs like the Marshall Plan brought the economies of Europe and the US closer together than they had ever been before. During the years of the Cold War, they worked closer together, politically but also economically. As their capitalist economic systems rewarded cost savings and high efficiency, the production of many goods was moved to countries with a low minimum wage, mostly to LEDC countries. Hence, economic interdependencies between many nations increased.

With the fall of the Iron Curtain in the early 1990's, a large, previously isolated chunk of the global population and economy opened itself up to the rest of the world. This further increased the economic trend of internationalization, and thus, globalization as we know it today.

Long gone are the days where all goods are processed directly where they were produced, in the late 20th and the 21st centuries, many products pass through a complex production chain, including several countries before finally being consumed by their end consumers.

This has brought about many interdependencies between countries which can be very helpful e.g. in preserving peace and stability but also, as seen in the Covid-19

Pandemic, can cause grave problems in the supply of goods.

Timeline of Events

1945	End of the Second World War
1948	Introduction of the Marshall Plan by the United States of America
1949	Formal division of Germany by the creation of the Federal Republic of Germany (FRG, West) and the German Democratic Republic (GDR, East)
1950's	“Wirtschaftswunder” in West Germany, period of economic recovery and prosperity under the help of the American Marshall Plan
1961	Building of the Berlin Wall begins, serving as a symbol for the full erection of the Iron Curtain and the division of east and west
1991	Fall of the Iron Curtain
1991-2020	Period of great globalization and economic expanse
2020	Start of the Covid-19 Pandemic followed by shortages of many goods and great economic problems

Major Countries and Organizations Involved

European Union (EU)

As a political and economic union with virtually unrestricted trade among its member states, which make up some of the world's largest and most important economies and a total part of 16.5% of global imports and exports¹, the European Union is a key player in global economics.

¹ “Trade“ *European Union*. Np. http://europa.eu/pol/comm/index_en.htm

People's Republic of China

As the largest and most important of them (described as the “biggest trading nation in goods”²), China serves as the representative of the many Asian cheap labor countries in which many simple but essential goods are produced which were scarce in many other countries during the pandemic due to factory closures during local lockdowns.

World Trade Organization (WTO)

“The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development.”³

Previous Attempts to solve the Issue

Following the shortage of the most essential products like masks and other sanitary equipment, many countries are starting to bring back production within their own boundaries in order to be able to face future global crises.⁴

Also, many leading figures have called for increased transparency and a general shortening of supply and production chains. In the pandemic, many critics of globalized economics have also come to word, for example criticizing working conditions in cheap labor countries and also questioning the moral and ethical aspects of globalization on an economic scale.

One of many problems faced in these attempts is also the sheer lack of skill,

² “China overtakes the US in world trade” *The Guardian*. Inman, P. <http://www.theguardian.com/business/2013/feb/11/china-worlds-largest-trading-nation>

³ “Overview” *World Trade Organization*. N.p. https://www.wto.org/english/thewto_e/whatis_e/wto_dg_stat_e.htm

⁴ Der Spiegel: Verlagert die Industrie ihre Produktion wieder zurück nach Deutschland? <https://www.spiegel.de/wirtschaft/unternehmen/corona-verlagert-die-industrie-ihre-produktion-zurueck-nach-deutschland-a-dca1df47-1bec-40d6-8e7b-06c126e16250>

knowledge, and especially a labor force in industrial western countries for the simple tasks of production of many goods that had previously been produced elsewhere.⁵ This work step, which had previously been undertaken in cheap labor countries with low costs of living and thus low wages, now has to be brought back to the western industrial nations, where the cost of living and thus the wages, are higher. In general, this kind of work is not really attractive for most people in those countries, because of the low income resulting in it, but also due to the simplicity and plainness of the work and often also negative and disrespectful stereotypes attached to it.

Relevant UN Treaties and Events

United Nations Covid-19 Supply Chain Taskforce

A United Nations effort in the early months of the pandemic in the spring of 2020 to ensure the supply of vital products - like those needed in the healthcare systems battling the virus - to countries in need.⁶

World Food Programme

As supply chains collapsed and for many people, especially in poorer countries, also their income broke off, hunger and famine increased dramatically. The World Food Programme tried to combat this by assisting nations and communities in need in the feeding of their citizens.⁷

⁵ How COVID-19 impacted supply chains and what comes next:

https://www.ey.com/en_gl/supply-chain/how-covid-19-impacted-supply-chains-and-what-comes-next

⁶ <https://www.un.org/en/coronavirus/supply-chain-and-covid-19-un-rushes-move-vital-equipment-frontlines>

⁷ <https://www.un.org/en/un-coronavirus-communications-team/un-working-avert-dual-crises-covid-19-hits-hunger-hotspots>

Possible Solutions

As mentioned above, the most obvious solution at hand to the problem faced is the relocation and shortening of the supply chains and means of production. This, however, brings with itself again many problems that need to be addressed, as also mentioned above.

Another possible solution could be legislation in the direction of securing trade routes and supply chains even in the times of economic crisis such as pandemics, e.g. with guarantees and solutions on how to keep trade routes open even while trying to prevent the spread of a viral disease.

Programs like the *United Nations Covid-19 Supply Chain Taskforce* or the *World Food Programme* are working and helping, but also only temporary solutions to deeper laying problems. Also, e.g. the *World Food Programme* suffers from constant underfunding, further limiting its options. The formation of a new UN body that constantly deals with the issue and possible crises and solutions could help though in preventing or at least reducing the graveness of the problems such as faced in the pandemic in the future.

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