

Risks in Global Supply Chains

Do we need policy?

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The image shows a screenshot of the National Bureau of Economic Research (NBER) website. At the top left is the NBER logo and the text 'NATIONAL BUREAU of ECONOMIC RESEARCH'. At the top right are a search icon and a menu icon. Below the logo is a breadcrumb trail: '< Working Papers'. The main title of the paper is 'Risks and global supply chains: What we know and what we need to know' in a large, bold, black font. Below the title is a thin orange horizontal line. The authors' names, 'Richard Baldwin & Rebecca Freeman', are listed in a smaller, bold, dark red font. Underneath the authors' names are three circular icons for social media sharing: Twitter, LinkedIn, and Facebook, with the word 'SHARE' to their left. At the bottom of the page, there are three pieces of information: 'WORKING PAPER 29444', 'DOI 10.3386/w29444', and 'ISSUE DATE October 2021'.

About Global Supply Chains

Not one-size-fits all

Simple vs complex GSC

Simple

Sourcing simple inputs from abroad

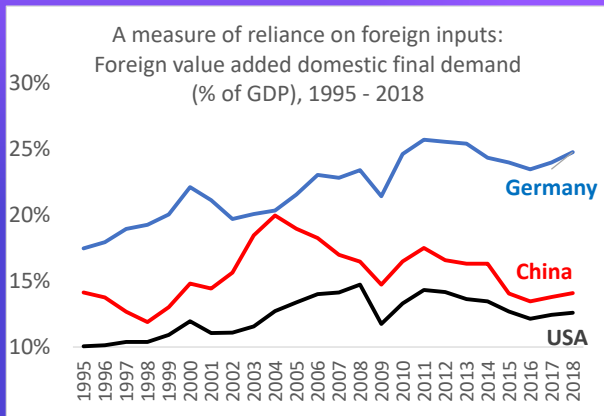
Complex

Sourcing sophisticated inputs from abroad

Or back-and-forth processing

Reliance on foreign inputs

Mixed trends



GSC risks

Not one-size-fits all

Risks to GSCs

Risks to GSCs

Supply shocks

Demand shocks

Transport shocks

GSC recovery concepts

Robustness

Ability to continue during the shock

Hard with complex GSCs

Resiliency

Ability to recover quickly after the shock

Types of GSCs risks

Idiosyncratic

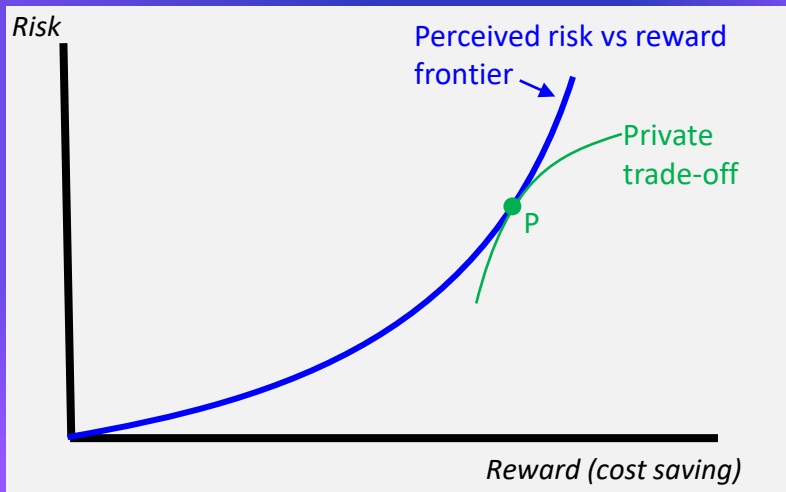
Earthquakes, strikes, etc

Systemic

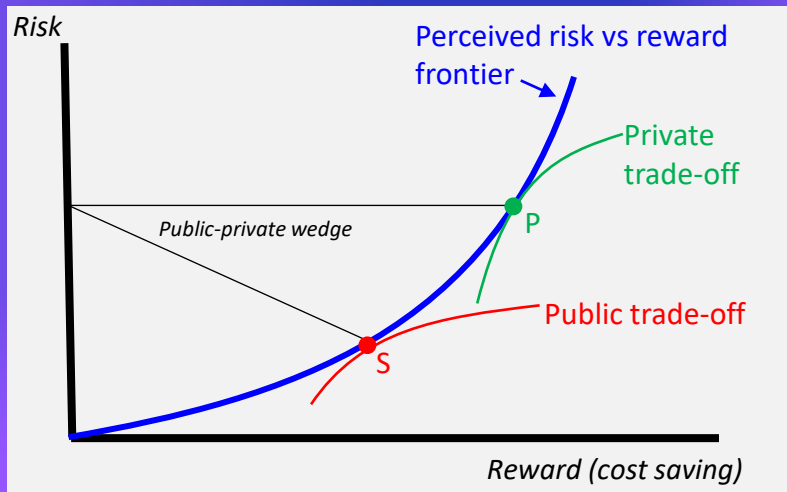
C19, climate change, US-CN geoeconomics

Are GSCs too
risky?

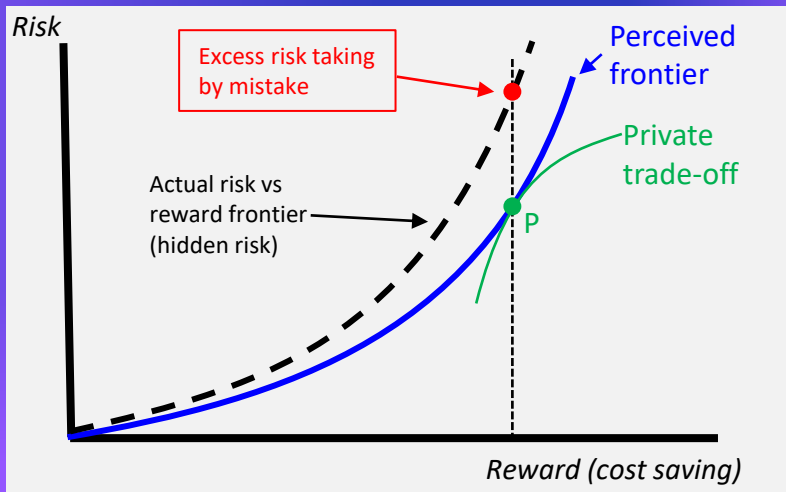
Risk v Reward: Private trade-off



Public v Private Trade-off



Also possible: Misperceived risk



Are policies
needed?

Three points

#1. Match policies & shocks

(ask experts, but e.g.)

Demand shocks

Stockpiling, excessive capacity

Idiosyncratic supply shocks

Geo-diversify sources

International transport shocks

Re-shore sources

Sectors with anti-risk policy

Agriculture

Stockholding, reshoring subsidies

Finance

Regulation, surveillance, enforcement

Military

Stockholding, reshoring subsidies, public spare capacity

#2. No regrets policies

Supplier information is a public good

Stress test critical supply chains

#3. Macro circuitbreaker

Macro stabilisation & firm/worker support policies dampen snowball effects of disruptions & bankruptcy

END

Thanks for listening

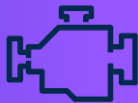
Input
reliance

Where is a
Detroit-made
Ford made?

1st level:
Michigan



2nd level:
Inputs to car



3rd level:
Inputs to
inputs



US auto reliance on Chinese inputs

Foreign Input Reliance

