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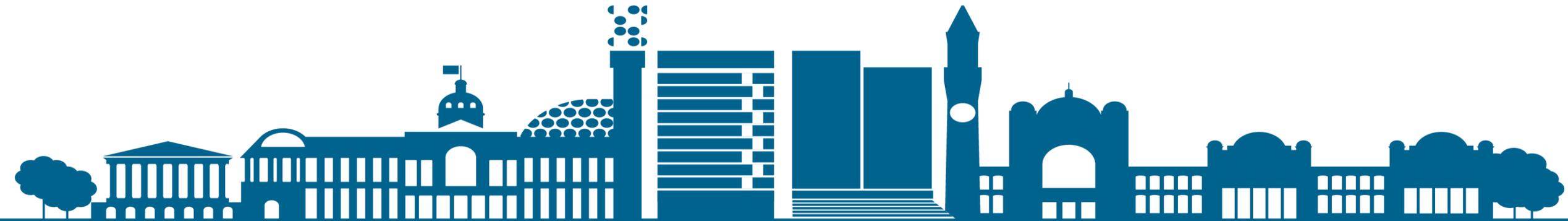


COVID-19: What future for economic connectivity in the OSCE region?

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Three points...and one caveat

□ The likely impact

- Challenges and an opportunity?

□ The probable consequences for connectivity

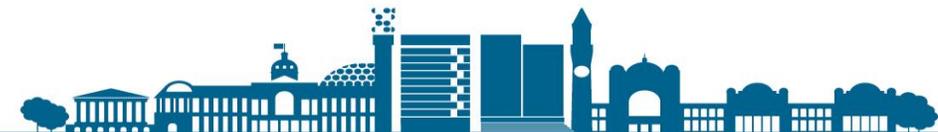
- Short, medium, and long term

□ Potential OSCE mitigation efforts

- From connectivity to connectivity 2.0?

□ The caveat

- “Prediction is difficult, especially about the future.”



COVID-19: The likely impact

□ A deep recession

- Decline in domestic economic output
- Shrinking domestic and external markets
- Loss of remittances (and return of labour migrants)

□ Socio-economic and political fall-out

- Decreasing tax revenue, development aid, FDI vs. need for increasing expenditure (welfare, economic stimulus)
- Increasing poverty and inequality within and between countries
- Public institutions under stress and erosion of public trust

□ An opportunity to reconfigure globalisation?

- Reshoring or repatriation of manufacturing capacity: sector-dependent; primarily driven by considerations of cost, quality, and market proximity
- ‘China + 1’ risk management



COVID-19: The probable consequences for connectivity

□ Short-term: Disruption

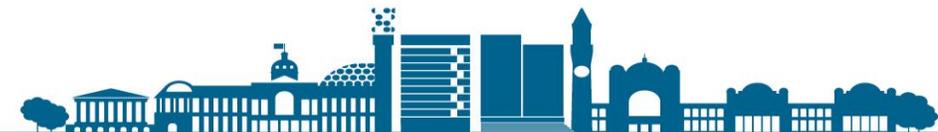
- Global trade could shrink by as much as 30%
- Severe effects also for labour migration, educational mobility

□ Medium term: Divestment

- Public and private funds likely to be refocused domestically
- Physical/transnational infrastructure for trade will not be a priority

□ Long-term: Protectionism

- As a response to strategic dependence/vulnerability
- As a tool of domestic stimulus



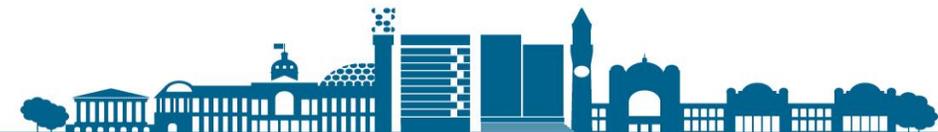
COVID-19: Potential OSCE mitigation efforts

□ Connectivity agenda remains more important than ever

- Inclusive growth: recovery must include vulnerable groups and countries
- Digitalisation offers an opportunity to deal with the current and future pandemics directly (big data) and indirectly (organisational cultures)
- Rules-based environment and good governance are important to ensure level playing field in the race to recovery and avoid the growth and entrenchment of digital (and other forms of) authoritarianism

□ Connectivity 2.0: focus on resilience

- Of economies (free movement of goods, capital, people, ideas)
- Of societies (open to trade and mobility)
- Of institutions (sustaining effective and fair national and international public administration)



Thanks!



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